TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1991

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS

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PART 3

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TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR 1991

WEDNESDAY, MARCH 28, 1990.

NATIONAL SECURITY COUNCIL

WITNESSES

G. PHILIP HUGHES, EXECUTIVE SECRETARY
JANIS K. WHITLEY, DIRECTOR OF ADMINISTRATION

Mr. **ROYBAL**. The committee will come to order. The committee will now hear from the National Security Council. I ask Mr. Hughes to proceed in any manner that he may desire.

Mr. **HUGHES**. Thank you very much, Mr. Chairman. Accompanying me today are Ms. Janis Whitley, the Director of Administration of the National Security Council. Also accompanying me is Bill Sittmann, the Deputy Executive Secretary, and at the moment acting Executive Secretary of the NSC, and Ms. Bronya Hartness, our budget officer at the NSC. I am the Executive Secretary of the NSC, and have been so since February of last year.

But I must tell you I am also in the process of training, as it were, to be Ambassador to Barbados, subject to Senate confirmation, since the President has announced his intention to nominate me for that job.

Mr. **SKEEN**. Congratulations.

Mr. **HUGHES**. Thank you.

Mr. **SKEEN**. Not a bad post at all.

Mr. **HUGHES**. So this is actually one of my last official duties for the National Security Council to present our budget this morning. With your permission, Mr. Chairman, I would like to present our statement, and then entertain any questions that you or the other members of the committee may have.

Mr. **ROYBAL**. All right. Without objection, your statement will be included in the record at this point, and you may proceed.

[The prepared statement of G. Philip Hughes and biography of Janis K. Whitley follows:]

STATEMENT OF G. PHILIP HUGHES
EXECUTIVE SECRETARY OF THE NATIONAL SECURITY COUNCIL

Before the House Committee on Appropriations,

Subcommittee on Treasury, Postal Service, General Government

Mr. Chairman, Members of the Subcommittee:
I am pleased to appear today before this Subcommittee and to have the opportunity to testify on the NSC's budget request for the coming year.

For Fiscal Year (FY) 1991, the National Security Council (NSC) respectfully requests an appropriation of $5,893,000. This represents an increase of $558,000 over our current FY 1990 level of $5,335,000.

- The National Security Council is requesting $3,400,000 for total Personnel Compensation and Benefits. No additional permanent positions are being requested for FY 1991. The increase of $214,000 is due to scheduled salary increases in full-time salaries and benefits, and the projected pay increase for Senior Executive Schedule and GS-16 and above positions.

- The increase of $50,000 in Travel of Personnel reflects the increased demands on NSC staff travel resulting from the President's more extensive travel requirements. During the last year of the Reagan administration, the NSC participated in 31 Presidential trips compared to the first year of the Bush administration where a total of 47 Presidential trips were performed. In addition to the increased Presidential travel requirements, the NSC has had an increase in Defense Arms Control Negotiation meetings and we have also experienced increased travel in support of the Secretary of State abroad.

- While no additional space is being requested, the NSC will experience a $29,000 increase in the cost of rental payments to the General Services Administration (GSA).

- The NSC is requesting the addition of a Representation Fund to our appropriation language effective FY 1991. This fund will be used to cover small item expenses incurred by the staff members due to representation and support of the President. The amount requested is $2,000. An example in support of this request occurred several months ago. The Defense Policy Directorate chaired a high level emergency Arms Control Policy Coordination Committee (PCC) meeting in preparation for a next day NATO alliance meeting. The meeting began late in the afternoon of one day and broke up in the early hours of the next morning. Since the NSC does not have the ability to cover food or drink expenses for official meetings of this type, the group was forced to break up for a significant period of time, for the participants to find dinner at a late hour and return for the continuation of the meeting. This, in turn, delayed the progress of the meeting and prolonged it until early the next morning.

- The increase of $244,000 in Other Services represents the cost of funding the construction of a vaulted storage area and work space for our Information Policy Directorate. This would provide this directorate with a facility that would be secure for storing and handling SCI material in an open work area. Also included in this line item is the cost of reimbursing the Department of State for Foreign Affairs Administrative Support Services (FAAS). In last year's testimony I requested $240,000 for the SCIF requirement. After we testified, we received from the Department of State an unfunded request for $250,000 to cover the NSC's portion of the Foreign Affairs Administrative Support Services (FAAS). Consequentially, it was necessary to reallocate the SCIF money to cover the projected FAAS bill. At the end of the second quarter of FY 1990 we received notification from the State Department that we would not be required to pay the FAAS charges for FY 1990; however, State could not guarantee that the NSC would not be required to pay FAAS in FY 1991. A shift from FAAS to the SCIF dollars would occur too late in the fiscal year to get a sufficient number of appropriate bids in to do this construction. At this time, we are working with OMB on how we should handle this excess in funding in FY 1990. Therefore, we are requesting the funding again for both the SCIF and FAAS requirements for the upcoming fiscal year.

We would also like to bring attention to the **TITLE V - GENERAL PROVISIONS, Section 501** which applies to the Travel of Personnel. Our travel is a restricted line item -- that is, by law we are not permitted to reallocate other unexpended balances to cover travel in the event of a shortfall in the NSC's travel budget. The nature of our travel is very unpredictable and is largely determined by the needs of the President. The omission of the restrictive language in the travel line item would give the NSC the flexibility to enable us to cover travel shortfalls through the reallocation of lower priority items.

The appropriation also provides $391,000 for the President's Intelligence Oversight Board and the President's Foreign

Intelligence Advisory Board. A new Executive Order which is intended to streamline the PFIAB has not yet been issued; however, all indications are that the size of the Board will be greatly reduced once the Executive Order is finalized sometime later this Spring. The PIOB continues, unchanged in structure, under Executive Order 12701 which is an amendment to Executive Order 12334. Under the new Executive Order, the Chairman of the PIOB no longer must be a member of the PFIAB as well. How these changes will impact the FY 91 budget request could not fully be identified at this time and therefore, we are requesting FY 91 funding at the current level.

The NSC will not be requesting reimbursement from the White House Situation Support Staff for after-hour utilities as in prior fiscal years. The General Services Administration (GSA) will now bill the WHSSS directly for all costs incurred.

The details of our budget request have been made available to the Subcommittee.

Mr. Chairman, I would be pleased to answer any questions you or your colleagues may have.

BIOGRAPHICAL SKETCH OF G. PHILIP HUGHES

G. Philip Hughes is Executive Secretary of the National Security Council. Prior to assuming his current duties on February 6, 1989, Mr. Hughes served as the first Assistant Secretary of Commerce for Export Enforcement from June 6, 1988, where he was primarily responsible for directing the efforts of a law enforcement agency specialized in enforcing the provisions of the Export Administration Act.

Prior to joining the Commerce Department, Mr. Hughes was appointed Deputy Assistant Secretary for Political-Military Affairs at the Department of State in April, 1986, where he was primarily responsible for policy problems involving strategic trade and technology transfer.

Mr. Hughes began his tenure in the Reagan Administration serving as Vice President Bush's Deputy Assistant for National Security Affairs from February 1, 1981 until September 1985, when he joined the National Security Council Staff as Director for Latin American Affairs.

Mr. Hughes served previously as Assistant Director for Intelligence Policy in the Office of the Secretary of Defense from 1979 to 1981, as Research Fellow in Defense Policy Studies at Brookings Institution, Washington, D.C., from 1978 to 1979, and as Assistant Analyst in the National Security and International Affairs Division of the Congressional Budget Office from 1975 to 1977.

Mr. Hughes received a B.A. Degree in political science from the University of Dayton in Ohio, a M.A. Degree in law and diplomacy from the Fletcher School of Law and Diplomacy, Tufts University, Medford, Massachusetts, and a Masters of Public Administration Degree from the Kennedy School of Government, Harvard University.

He is married to the former Victoria Knipper, and they reside in Falls Church, Virginia.

BIOGRAPHICAL SKETCH OF JANIS K. WHITLEY

Janis K. Whitley is the Director of Administration for the National Security Council. She has served in this capacity since June 1989.

After attending Radford University, she entered the Federal government and was selected for the George Washington University ADP Intern Program. After graduation she worked at several different Army Agencies, as a Computer Program Analyst, designing and developing computer software systems. Responsible for the automation of psychiatric tests for the Army's Detention Facility at Ft Leavenworth and the ADP interface between the Headquarters, DA office and the FBI's National Criminal Investigation Center (NCIC).

During the 70's, she worked for the Information Systems Command, Ft Belvoir, Va as a Computer Specialist, designing and developing standardized software systems for the Army's world-wide installations.

From 1980-1989, Ms Whitley worked as a Project Officer for the Standard Installation/Division Personnel Systems (SIDPERS), with major responsibilities in ADP and contracting; Branch Chief responsible for budgetary and contractual efforts and ADP projects for fourteen different Army Personnel computer systems; and finally, Director, Personnel Systems. Responsibilities included management of the mainframe, micro and mini computer software systems development and maintenance, overseeing all aspects of the on-going contractual efforts, budgetary submissions and personnel management for over 70 military and civilian employees.

Ms Whitley resides in Fairfax, Virginia.

Mr. HUGHES. Thank you. Mr. Chairman, Members of the subcommittee, I am pleased to appear today before this subcommittee and to have the opportunity to testify on the NSC's budget request for the coming year.

For fiscal year 1991, the National Security Council respectfully requests an appropriation of $5,893,000. This represents an increase of $558,000 over our current fiscal year 1990 level of $5,335,000.

The National Security Council is requesting $3,400,000 for total personnel compensation and benefits. No additional permanent positions are being requested for fiscal year 1991. The increase of $214,000 is due to scheduled salary increases in full-time salaries and benefits, and the projected pay increase for senior executive schedule and GS-16 and above positions.

The increase of $50,000 in travel of personnel reflects the increased demands on the NSC staff travel resulting from the President's more extensive travel requirements. During the last year of the Reagan Administration, the NSC participated in 31 Presidential trips, both domestic and abroad, compared to the first year of the Bush administration in which a total of 47 Presidential trips had NSC participation.

In addition to the increased Presidential travel requirements, the NSC has had an increase in arms control negotiation meetings where our staff members need to be present. We have also experienced increased travel in accompanying the Secretary of State abroad.

While no additional space is being requested, the NSC will experience a $29,000 increase in the cost of rental payments to the General Services Administration.

The NSC is requesting the addition of a small representation fund to our appropriation language effective in fiscal year 1991. This fund would be used to cover small item expenses incurred by staff members due to representation and support of the President. The amount requested is $2,000.

If I could, let me give you an example of why we are requesting this type of appropriation. A few months ago, the Policy Coordinating Committee for Arms Control held a meeting to prepare instructions for a NATO meeting that was to be held the following day. It was an emergency meeting. It had to be convened on short notice. It began late in the afternoon of one day, and it broke up in the early hours of the following morning.

Since the NSC does not have the ability to provide food or drink expenses for official meetings of this type, at a point late in the evening it was necessary for the group to break up for a significant period of time for the participants to disperse and try to find dinner in an area of town where that is not entirely easy late at night, and then to return for the continuation of the meeting.

It delayed the progress of the meeting, and frankly prolonged it into the early morning hours. We would maybe have been able to avoid that if we had had a small amount of money to be able to provide some sandwiches and a Coke.

The increase of $244,000 in other services represents the cost of funding the construction of a vaulted storage area and work space for our Information Policy Directorate. This would provide this directorate with a facility that would be secure for the storing and handling of sensitive compartmented information in an open work area. Also included in this line item is the cost of reimbursing the Department of State for Foreign Affairs Administrative Support Services—so-called FAAS.

In the last year's testimony, I requested $240,000 for this SCIF requirement, as we call it. After we testified, we received from the Department of State an unfunded request for $250,000 to cover the NSC's portion of the Foreign Affairs Administrative Support Services bill. Consequently, it was necessary for us to reprogram the money requested for the secure compartmented information facility to cover the projected FAAS bill.

At the end of the second quarter—or in other words, midway through the fiscal year—however, we received notification from the State Department that we would not be required to pay the $250,000 in FAAS charges for 1990 after all. However, at the same time, the State could not guarantee that we would not be required to pay a FAAS charge in fiscal year 1991.

Because we became aware of the possibility of avoiding this FAAS payment in fiscal year 1990 so late in the fiscal year, we felt that it was too late to receive the appropriate bids and put on contract the construction of the secure information facility. At this time, we are working with OMB on how we should handle the excess of funding, therefor, in fiscal year 1990. But we felt that it was prudent, not yet being able to contract for the SCIF, but knowing as we did last year that we need it, and also not knowing what the FAAS charge from the State Department would be, to go ahead and request both money to cover the FAAS charge next year and to construct the SCIF.

We would also like to bring attention to Title V of the General Provisions, Section 501, which applies to the travel of personnel. Our travel is a restricted line item. That is, by law we are not permitted to reallocate other unexpended balances to cover travel in the event of a shortfall in the NSC's travel budget. The nature of our travel frankly is very unpredictable, as I testified last year, and is largely determined by the needs of the President. His needs, as I have said, have been growing steady over the last year, and I think will continue to grow next year.

The omission of the restrictive language in the travel line item would give the NSC the flexibility to enable us to cover travel shortfalls should they occur through the reallocation of lower priority budget items.

The appropriation also provides $391,000 for the President's Intelligence Oversight Board and the President's Foreign Intelligence Advisory Board. A new executive order, which is intended to streamline the PFIAB, has not yet been issued; however, all indications are that the size of the board will be greatly reduced once the executive order is finalized some time this spring. The PIOB, as we call it, continues unchanged in structure, under Executive Order 12701, which is an amendment to Executive Order 12334, which reestablished the PIOB in the Reagan administration. Under the new executive order, the Chairman of the President's Intelligence Oversight Board no longer must be a member of the PFIAB at the same time.

How these changes will impact on the fiscal year 1991 budget request could not be fully identified at the time that our testimony had to be prepared, and therefore we are requesting fiscal year 1991 funding at the same level as last year.

The NSC will not be requesting reimbursement from the White House Situation Support Staff for after-hours utilities as in prior fiscal years. The General Services Administration will now bill the White House Situation Support Staff directly for all the costs incurred.

The details of our budget request, Mr. Chairman, have been made available to the subcommittee. With that, Mr. Chairman, I would be pleased to answer any questions that you or your colleagues may have.

Mr. **Roybal**. Thank you, Mr. Hughes. First of all, I would like to congratulate you for your appointment as Ambassador to Barbados, and then also suggest that when you get there all settled, that you do not forget this committee, because we are liable to go out and try to visit you. [Laughter.]

Mr. **Hughes**. Mr. Chairman, I can assure you I definitely will not forget this committee. It will always have a very special place in my heart, and frankly in the interests of my mission, too.

Mr. **Roybal**. All right.

Mr. **Hughes**. Thank you.

FUNCTIONS OF THE NSC

Mr. **Roybal**. For the record, Mr. Hughes, what are the principal functions of the National Security Council? Would you describe its main functions?

Mr. **Hughes**. Certainly. The principal function of the National Security Council is to provide advice, support and counsel to the President in the conduct of all national security, foreign policy and intelligence-related affairs of government. In a nutshell, sir, that is our basic function.

Mr. **Roybal**. All right. Is there a distinct difference between the staff function and the operational function?

Mr. **Hughes**. Sir, there definitely is a clear difference between a staff function and an operational function. The National Security Council staff exists to perform purely staff functions that support the operation of the National Security Council, in effect a subcommittee of the cabinet that comprises the President's chief advisors on foreign policy, defense and intelligence matters.

Mr. **Roybal**. So you and your staff would not be involved then in the operational aspects.

Mr. **Hughes**. No.

Mr. **Roybal**. All right.

Mr. **Hughes**. The staff is not involved in the operational aspects of the conduct of policy at this point.

Mr. **Roybal**. All right. Then maybe perhaps you can tell the committee what the staff actually does on a day-to-day basis.

Mr. **Hughes**. Fine. On a day-to-day basis, the staff is involved first in recommending when it is necessary to have a meeting of the National Security Council, and then supporting that meeting by, of course, getting it scheduled; by announcing it and its agenda to the members of the Council; by ensuring that there are discussion papers for the meeting, records of the meeting; by promulgating decisions that result from the meeting.

On a day-to-day basis, the staff is also involved in formulating those policy papers—or options papers, if you would—that support meetings of the National Security Council or its subcommittees, such as the Deputies Committee or the Policy Coordinating Committees for regional and functional affairs that have been organized under President Bush's structuring of the National Security Council.

The staff is also involved in providing a variety of day-to-day foreign policy staff support to the President, such as preparing responses to his correspondence; preparing briefings for him for his meetings with foreign leaders, or with Congressional leaders or other figures of the administration on national security-related matters; preparing important legally required documents, such as reports to the Congress, treaties, presidential determinations, findings and so forth that need to be sent up here for appropriate action by Congress.

In all of those staff functions, the National Security Council staff is performing day-to-day support for the President in his foreign policy work.

OPERATION DURING A CRISIS SITUATION

Mr. **Roybal**. All right. How do your functions differ in the event that we have an emergency type situation? Is there any difference? Specifically how does the function change?

Mr. **Hughes**. Well obviously, in a crisis type environment, I would say the nature of the functions does not change. However, the manner in which we perform the functions—that is, speed; the number of people involved; where people physically are, whether they are in their offices as opposed to being in the situation room in close proximity to the National Security Advisor, his deputy, the chief of staff and the President. Those things change.

But the basic nature of what we are doing, even in a crisis, is still a staff function. It is a coordinating function—being a funnel for information into the White House about the rapidly developing crisis event, digesting that information for presentation to the President and his senior advisors for decision, and being a transmission belt out of the White House for the President's decisions and directions when those are required to deal with the emergency.

PERSONNEL/DETAILEES

Mr. **Roybal**. What are the total number of personnel that are involved in all of this?

Mr. **Hughes**. Let me turn, if I may, to my figures so that I can give you accurate information. The total number of personnel in the National Security Council staff and the White House Situation Support Staff, which provides important support in precisely those emergency settings that you were talking about, is 166 people today.

Mr. **Roybal**. And that all comes out of this budget.

Mr. **Hughes**. Not quite.

Mr. **Roybal**. All right, sir, please explain.

Mr. **Hughes**. The National Security Council staff has a total payroll of 60 individuals. It also has about 61 individuals who are detailees. That is the component of our total operation that comes out of this budget. There is the White House Situation Support Staff, which is separately funded by the Department of Defense because of its close association with Department of Defense activities that is not included in this budget. But we do generally include it in our total personnel complement, because the two operations basically work hand-in-hand, and both report to the National Security Advisor.

Mr. **Roybal**. Are the 61 detailees actually reimbursable?

Mr. **Hughes**. No. Our detailees are not reimbursable. There has been a long tradition in the National Security Council from its very organization in 1947 that the constituent departments of the National Security Council—the Departments of State; Defense; the Central Intelligence Agency; the Joint Chiefs of Staff—should detail personnel from their departments to the White House to provide support for the meetings of the National Security Council and the activities of the Council. There are a variety of reasons for that.

I went over a number of them in my testimony last year, and I would be happy to go over them again if that would be of help. But there has been a long tradition now extending over 40 years of nonreimbursable detailees to the NSC from the constituent departments to facilitate the work of the NSC. And these details, incidentally, are typically for longer, as we testified last year, than the details that are customarily associated with other kinds of details to other departments and agencies because of the unique nature of our work.

Mr. **Roybal**. All right. Now the total number of personnel that is paid for out of the budget you are requesting is 60.

Mr. **Hughes**. That is correct.

Mr. **Roybal**. And there are 61 detailees.

Mr. **Hughes**. That is correct.

Mr. **Roybal**. So you have then 121——

Mr. **Hughes**. People on the National Security Council staff.

Mr. **Roybal**. That is right.

Mr. **Hughes**. And an additional 45 detailees in the White House Situation Support Staff. All the people in that staff are detailees, and they come predominantly from the Department of Defense and the Central Intelligence Agency.

Mr. **Roybal**. That makes a pretty large number of personnel that come under your jurisdiction.

Mr. **Hughes**. That is quite correct.

Mr. **Roybal**. Thank you. Mr. Skeen?

Mr. **Skeen**. Thank you, Mr. Chairman. Mr. Hughes, I too, ought to commend you or compliment you on being selected for the Barbados. I do not know of any place in the world I would rather have an ambassadorship than in Barbados. As a matter of fact, one of my ancestors was the first Governor of Barbados.

Mr. **Hughes**. Oh, really?

Mr. **Skeen**. His name was Skeen, and I do not know what he had done, but they shipped him out there to be governor. [Laughter]

Mr. **Hughes**. It must have been good, sir.

Mr. **Skeen**. Well, I do not think that the English knew that he was being a good Scotsman. It is a beautiful place. I have been to Bridgetown and to Barbados. What a magnificent place.

Mr. **Hughes**. Thank you very much.

Mr. **Skeen**. So we would like to have a hearing down there, if you can arrange that.

Mr. **Hughes**. Oh, by all means. I will look forward to it. And I think we can make all the necessary arrangements.

Mr. **Skeen**. You have, I think, for the work that you do, a very modest budget. I think you handle it very well. I can understand the problems that you have with the flexibility on travel and some of the rest, because those things are not within your control. The personnel also. Let me run that by again. That is 60, 61 and 45.

Mr. **Hughes**. That is right.

Mr. **Skeen**. And the 60 are your regular staff functions; 61 are detailees and 45 are detailees also from CIA?

Mr. **Hughes**. From CIA and Defense for the White House Situation Support Staff.

Mr. **Skeen**. DOD?

Mr. **Hughes**. For the situation room, and an augmenting facility that we have across the street from the White House that backs it up.

Mr. **Skeen**. And are personnel charges handled through your budget? I want to get it clear in my mind.

Mr. **Hughes**. Okay. Let me go over it again, just so that we are clear, because it can get a little confusing.

Mr. **Skeen**. I want to know what kind of personnel exposure that you have directly.

Mr. **Hughes**. The way, maybe, to think of this is sort of in three ranks. There are 60 people who are directly hired by the National Security Council. They are professional staff, as well as secretaries and support staff. That is rank one. Rank two is that there are 61 people who are detailed to the National Security Council staff—again a combination of professionals and clerical and support staff. Those two things together, 121 people, comprise what we call the National Security Council staff.

Mr. **Skeen**. Okay. Those you are fully responsible for.

Mr. **Hughes**. We are fully responsible for all of them. There is a third rank, 45 people, who are the White House Situation Support Staff. They are also detailees, predominantly from the Defense Department and the CIA for the situation room and emergency support of the President. Of those three ranks, this budget pays only for rank one—the 60 people who are directly hired by the NSC.

Mr. **Skeen**. All right.

Mr. **Hughes**. Both professionals and support staff. But all three tranches: the direct hires, the detailees to the National Security Council staff, and the detailees to the White House Situation Support Staff work as a unit. And all report to the National Security Advisor. And all basically fall under our jurisdiction.

Mr. **Skeen**. So you have administrative control over all of them.

Mr. **Hughes**. That is right.

Mr. **Skeen**. I understand that. But what I was getting at—and I think you covered it very well—is exactly what number are you directly responsible for as far as funding out of your budget?

Mr. **Hughes**. And it is 60.

AUTOMATION

Mr. **Skeen**. And then plus the travel. What about your automation? Do you have any investment in that?

Mr. **Hughes**. Yes, we do. But most of our automation support comes from actually not the budget that is funded here——

Mr. **Skeen**. Piggy backing on something?

Mr. **Hughes**. Yes. We are piggy backing on two things. For some automation support—but this has been of, I think, decreasing importance over the years—we are piggy backing on the White House Communications Agency and its mainframe IBM computers. On that, our secretariat particularly relies for our record keeping functions; for some minimal electronic mail functions that are left over from the PROFS system that received some notoriety in the Iran Contra matter; and also our information policy directorate, uses that IBM system of WHCA extensively for record searches and record retrieval for Freedom of Information Act and executive order compliance purposes.

The White House Situation Support Staff owns a series of VAX computers, which are the backbone of our automation support.

Mr. **Skeen**. V-A-X?

Mr. **Hughes**. VAX, yes, from the Digital Equipment Corporation.

Mr. **Skeen**. I see.

Mr. **Hughes**. And those computers owned by the White House Situation Support Staff provide computer support to, if you would, ranks one and two of the personnel that I outlined—the two groups, direct hire and detailees, of the National Security Council staff.

And that support amounts to word processing; message receipt—that is, receiving diplomatic and intelligence cables from overseas posts through soft copy that are readable by most of our staff on their cathode ray tubes in their offices; as well as electronic mail and messaging capability within the NSC staff; and interfacing with the White House Communications Agency's computer. So that is a quick thumbnail of what our automation support is like.

Mr. **Skeen**. Just for informational purposes—and the reason I ask the question is the fact that we go over the White House operations as far as automation. It has been one of our points of particular interest that they are asking for an update in their equipment. I wanted to get some idea of how well you phase in with the recommendations of what your needs might be plus what theirs are, and then of course separated by function, I am sure it is even a more complicated kind of thing.

But we get into this automation, and we tend to—when we have problems with budget constraints—to steal from the equipment side of it to keep the personnel side happy, because that is your primary responsibility.

Mr. **Hughes**. Generally speaking, that problem that you have eluded to—stealing from the equipment side to fund the personnel side—is not a problem that I think we have encountered. But that is largely because so much of our automation support depends on the White House Situation Support Staff, which has been well-funded over the years and carefully tended by the Department of Defense—something for which we are very grateful.

We do get some support—declining, as I said—from the White House Communications Agency for other of our automation needs. Generally speaking, the White House Communications Agency, in my experience, has been very responsive to our needs.

I can tell you that within the last three months, a particular need began to arise for both our secretariat and our information policy directorate to have direct communication—not through our own VAX computers, but direct communication—to the White House Communications Agency's IBM in order to be able to keep doing business even when our VAX computers were down because of system crashes or maintenance requirements or whatever. The White House Communications Agency very quickly worked out a technical fix to that problem and is in the process of implementing it. I think they are implementing it in good faith as promptly as possible.

Generally speaking, our appreciation is that the White House Communications Agency's automation support is a little bit technically behind where ours are, if we can sound a bit chauvinistic. So generally speaking, anything that happens to them that upgrades their technical capability helps us.

Mr. SKEEN. That is precisely the reason for the question, because the White House, when they were down here with their budget, maintained that they do have a problem with obsolescence. I wondered how it was affecting the kind of work that you have to do, if you are dependent on that. So it has been working well, as I understand it. But you recognize their problem, and they are trying to do something about it, because we covered it in their budget.

Mr. HUGHES. That is right.

Mr. SKEEN. I am trying to get some interrelation going so that we kind of know what folks are doing under these budgets on automation.

Mr. HUGHES. Frankly, I understand from the two parts of our organization that do depend on the White House Communications Agency's computer that the user load on the computer has come to be such over time that the system is slowing down. It is slowing down in its responsiveness to everyone, including ourselves. So that is not a fault of the White House Communications Agency, but it is another indication that they are correct in saying they need some technical improvement.

Mr. SKEEN. Well what we are trying to get them to do is be more aware when they make their budget presentations to keep their automation system ahead of the curve a little bit, rather than getting behind. Having to pick it all up in a year, or something of that kind, really is bothersome to me, and I think other members of the committee, because we are so dependent on information processing. If we let this slide to the point where you have got to a major thing, it is kind of an embarrassment because it is hard to pick up the money when we do not even know where we are allocated anyway.

All right. You mentioned something on the food and drink. I do not know what kind of an account you called this.

Mr. HUGHES. We referred to it as a representational account.

REPRESENTATION FUNDS

Mr. SKEEN. Representational? Yes. That is always very interesting. What does the State Department do? I am sure that you have got some arrangement with them on some of these things.

Mr. HUGHES. Well actually we——

Mr. SKEEN. Do you work out a coordinated effort? Excuse me for interrupting. Do you have some agreement with the State Department?

Mr. HUGHES. No. There is not any such agreement.

Mr. SKEEN. Tight bunch.

Mr. HUGHES. I cannot say that. There is not any agreement for them to assist us with representational funds. And frankly, from what I understand of the budget strictures that the State Department is increasingly under—and I am becoming more exposed to this as I try to read into my new portfolio——

Mr. SKEEN. Did you pass these on to Bill?

Mr. HUGHES [continuing]. I think it would be extremely unlikely that we would be able to work out any sensible arrangement for them to supplement us with some kind of representational funds. I can only tell you from my own experience of a few years ago, being a deputy assistant secretary in one of the State Department's bureaus, that its own funds for representation inside Washington—at least at the level of bureaus—not necessarily perhaps at the level of the office of the secretary or the under secretaries—was very, very limited. In our bureau, which did a very large amount of direct dealing with foreign governments and delegations visiting Washington, we had a quarterly representational allowance of about $600 for the assistant secretary, his four deputies, and his office directors and everything else. So against that backdrop, it would not look very likely to me that we could get much relief from the State Department.

Mr. SKEEN. You might have to call Domino's to deliver with that kind of a budget.

Mr. HUGHES. Yes.

Mr. SKEEN. I was just curious, because we asked the same questions of these folks, and I did not know how much interrelationship there is. When you have a meeting and you have to call it off because you do not have access to food and beverage service or something, that is kind of ridiculous to get in a high level discussion and you have got to shut it down because you have no facility or no financial——

Mr. HUGHES. I think we are very conscious of everyone's sensitivity about the abuse of this kind of thing.

Mr. SKEEN. That is the other side of the coin.

Mr. HUGHES. I would like to volunteer, frankly, that we are very conscious of that, too. That is why we first of all limited the amount to a very, very small amount—or at least what we think of as a very, very small amount in the context that we are likely to deal in. Secondly, that we intend to proscribe the use of these funds for such things as, for example, Christmas parties or hail and farewell celebrations for staff members who are departing or things of that sort, and confine the use strictly to sort of sandwiches and drinks for support of meetings that are occurring in the White House.

And finally, I think, although we have not worked out the details, we will move to implement strict accountability and approval procedures inside the staff centering on the office of the Executive Secretary to make sure that staff members are not just on their own able to write themselves a ticket for some representational funds without central oversight and control.

ADMINISTRATIVE STAFF FUNCTIONS

Mr. **Skeen**. I think that is far-sighted. One last question. In supportive issues and so forth, does your administrative staff do research on these, or do you separate that as a separate function?

Mr. **Hughes**. No. Our administrative staff really do not involve themselves in policy matters. Janis, of course, heads our administrative staff, which is a staff of about a half a dozen professionals. There is also a small secretarial pool that is attached to her office to fill in when secretaries are absent and so forth.

Mr. **Skeen**. So it is the other members of the staff that do your research on support.

Mr. **Hughes**.The other members of the staff do research and do write the President's options papers, and briefing papers, and draft correspondence and the things that I outlined—but not the administrative staff. That is not their job.

Mr. **Skeen**. They do not handle the material or help in the preparation or any of that kind of thing? All right.

Mr. **Hughes**. Generally speaking, no.

Mr. **Skeen**. So it is a separate function cellularized.

Mr. **Hughes**. That is right.

Mr. **Skeen**. All right. Thank you——

Mr. **Hughes**. Certainly, Mr. Skeen.

Mr. **Skeen** [continuing]. For your responses, and I wish you well.

Mr. **Hughes**. Thank you.

Mr. **Skeen**. Thank you, Mr. Chairman.

Mr. **Roybal**. Mr. Hughes, you have discussed the representation fund, and I find that fund is not authorized. May I suggest that you make some effort to get to the Authorizing Committee to authorize it before the markup takes place.

Mr. **Hughes**. Thank you. That is a very good suggestion, Mr. Chairman. And we will take that to heart and take steps in that direction.

Mr. **Roybal**. Thank you.

Mr. **Skeen**. It makes them shine on this a little bit easier.

Mr. **Roybal**. It might make it possible.

Mr. **Hughes**. Yes. [Laughter.]

Mr. **Roybal**. More than easier.

Mr. **Hughes**. You are very thoughtful, Mr. Chairman.

SUMMARIZATION OF INTELLIGENCE INFORMATION

Mr. **Roybal**. To what extent does the National Security Council review and summarize intelligence information from the intelligence agencies?

Mr. **Hughes**. To a fairly great extent, I would say, Mr. Chairman. This happens broadly speaking in two or three ways. The most common way that happens basically every day is in the White House Situation Room within the White House Situation Support Staff where cables and intelligence reports of all manner arrive in the White House.

And that Situation Support Staff produces several products for the President each day—a morning and an evening summary of intelligence, which may be a page or two long—intelligence and diplomatic developments and so forth. And it also can produce spot commentaries on fast-breaking events, such as a coup attempt in Panama or something of that sort. That is in a sense summarizing intelligence information from other agencies.

Secondly, the professional staff members on an ad hoc basis may, on having seen a particularly interesting or compelling report from the Central Intelligence Agency, or being aware of a pattern of developing events that have been reported through intelligence channels, feel it necessary to write an information memorandum for the President or for the National Security Advisor to draw these events together, and in a sense summarize them for our principals in the White House.

Or third, of course, incidental to drafting briefing papers for, say, the President's meeting with, for example, Prime Minister Mazowiecki last week, the staff may draw into those briefing papers observations from intelligence reports and cables or diplomatic reporting that we may have received that bears on the visit or the matter being briefed. So in that sense, too, the staff summarizes intelligence information.

Mr. **Roybal**. What about positions that are taken by the Department of State, the Defense Department and other governmental agencies? Once those positions are taken, to summarize them do you go over them and review them?

Mr. **Hughes**. Yes. It is necessary, obviously. And the most frequent context where this would occur is in the preparation of the President for a meeting of the National Security Council. It is necessary for the staff to write a briefing paper for the President which might summarize, even in advance of the meeting, the known views of the departments and agencies concerned—what their chief arguments are; what their points of difference may be—so that we can clarify for the President going into a meeting the differences of fact, and also the differences of opinion between departments and agencies.

In performing that function, the NSC staff has a long tradition that we try to live up to of being a truly honest broker—not taking sides, but summarizing all views fairly for the President, so that he is informed as he takes the counsel of his security advisors. And I must say, on that point, it is a matter that Brent Scowcroft puts extremely great stress on, that we must be honest brokers, and we must fairly represent the views of all departments and agencies without coloration or bias.

Mr. **Roybal**. Which means then that there are no instances where you may disagree with any position taken by any of these departments.

Mr. **Hughes**. No. There are obviously incidents where members of the staff, or indeed Brent Scowcroft or Robert Gates themselves, may have their own view independent of the views of the departments and agencies concerned. But our responsibility is to make sure that the department and agency views are fairly represented to the President. And if the members of the staff recommend a different point of view, or Brent Scowcroft or Bob Gates themselves wish to advise the President of their point of view, that view is also provided to the President, but identified as a clearly separate input from the views of the departments and agencies concerned.

Mr. **Roybal**. Both sides of that particular decision are made available to the President broken down so that he himself can make a final determination.

Mr. **Hughes**. Exactly. Including the views of his own advisors in the White House as a separate viewpoint from the views, perhaps, of the departments and agencies.

Mr. **Roybal**. All right. Now when that takes place, is there anyone from your agency present at the time that the meeting takes place, during that time frame?

Mr. **Hughes**. Of course it varies, depending on the sensitivity of the matter before the National Security Council. But generally speaking, a member of the National Security Council staff is in meetings of the National Security Council, and also in meetings of the Deputies Committee which does not meet with the President but digests, if you would, issues to synthesize them for presentation to the National Security Council.

Generally speaking, a member of the National Security Council staff is present for all of those meetings to be the note taker to make an official minute of the meetings, and also make sure that any decisions or conclusions resulting from the meeting are disseminated to the departments and agencies concerned.

Mr. **Roybal**. Now the last thing. Does a member of your staff have the responsibility of writing the minutes of that meeting?

Mr. **Hughes**. Yes. The staff is responsible to make minutes of the meetings of the National Security Council, and also minutes and summaries of conclusions of the meetings of the Deputies Committee—summaries of conclusions, because we frequently have to promulgate those conclusions to the departments and agencies concerned so that they can be implemented. Meetings of the National Security Council result in conclusions that are decisions by the President. And those are dealt with in a different way.

Mr. **Roybal**. Is there any other agency involved in doing the same thing?

Mr. **Hughes**. No other agency has the responsibility to do the same thing. Other agencies' attendees may obviously make their own notes of what goes on in the meetings. They may even render those notes into typed, finished form. But the only official records are the records kept by the staff of the National Security Council. That is why we are there.

Mr. **Roybal.** We would like to thank you and Ms. Whitley for your presentation this morning. Again, I would like to congratulate you. I think it is a wonderful post you are going to.

Mr. **Hughes.** Thank you.

Mr. **Roybal.** I know you will do a good job there. May I ask, do you have children?

Mr. **Hughes.** No, we do not. My wife and I do not have children. It is just my wife and I. But we are looking forward to throwing our all into this post and hopefully representing the United States effectively.

Mr. **Roybal.** From what I have heard of your charming wife, I think she is going to do an even better job than you would. [Laughter.]

Mr. **Hughes.** I might say so does our media consultant. She has been coaching us for the last couple of days.

Mr. **Roybal.** Thank you very much.

Mr. **Hughes.** Thank you, Mr. Chairman.

Mr. **Skeen.** That is spoken as a long-married man.

Mr. **Hughes.** And your committee is always welcome to hold hearings in Barbados, or the other islands that we represent. Thank you.

[The justifications follow:]

Executive Office of the President
National Security Council
Congressional Submission
FY 1991

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I. GENERAL STATEMENT

Executive Office of the President
National Security Council

The National Security Council (NSC) was established by the National Security Act of 1947, 50 U.S.C. section 401 et seq. By Reorganization Plan Number 4, effective August 20, 1949, the Council was placed in the Executive Office of the President.

The statutory function of the NSC is to advise the President with respect to the integration of domestic, foreign, and defense policies related to the national security. Subject to direction by the President, it is the responsibility of the Council to assess and appraise the objectives, commitments, and risks of the United States in relation to our actual and potential military, economic, and political power, in the interest of national security, and to consider policies on matters of common interest to the departments and agencies of the Government, and to make such recommendations and such other reports to the President as it deems appropriate or as the President may require.

Council members are: the President, the Vice President, the Secretary of State, and the Secretary of Defense, as prescribed by statute. The Chairman, Joint Chiefs of Staff, and the Director of Central Intelligence are statutory advisors.

The NSC Staff, the element funded by this budget request, is headed by the Executive Secretary, and provides day-to-day support for the President and his Assistant for National Security Affairs. It seeks to ensure that national security information provided to the President is responsive to his needs, and is properly coordinated interagency and within the Executive Office of the President. The Staff prepares policy presentations and arranges meetings for the President and the Council on national security matters.

The NSC is organized with regional and functional directorates, headed by senior directors who report directly to the National Security Advisor. The staff facilitates, coordinates, and monitors the review, development, and implementation of national security decisions under the guidance of the President and the National Security Advisor. Through the Executive Secretary, the NSC staffs out Presidential options to concerned agencies to ensure that decision choices are presented to the President in a timely manner with all relevant views represented. The NSC monitors implementation of decisions to assure compliance and execution. The NSC provides guidance, review, and policy direction of special activities pursuant to E.O. 12333. The NSC seeks to effect a harmony of views wherever possible and to broker fairly for Presidential decision those issues where differences exist.

The appropriation also provides funding for the President's Intelligence Oversight Board and the President's Foreign Intelligence Advisory Board. The President's Foreign Intelligence Advisory Board has the authority to continually review the performance of all agencies of the Federal government that are engaged in the collection, evaluation, or production of intelligence or the execution of intelligence policy. The President's Intelligence Oversight Board informs the President of intelligence activities that are believed to be in violation of the Constitution or laws of the United States, Executive Orders, or Presidential directives.

II. SUMMARY OVERVIEW

Executive Office of the President
National Security Council

For fiscal year (FY) 1991, the National Security Council (NSC) requests an appropriation of $5,893,000. This represents an increase of $558,000 from the FY 1990 appropriation.

- The National Security Council is requesting $3,400,000 for total Personnel Compensation and Benefits. No additional permanent positions are being requested for FY 1991. The increase of $214,000 is due to scheduled salary increases in full-time salaries and benefits, and the projected pay increase for Senior Executive Schedule and GS-16 and above positions.

- The increase of $50,000 in Travel of Personnel reflects the continuous demands of Presidential Travel requirements.

- While no additional space is being requested, the NSC will experience a $29,000 increase in the cost of rental payments to the General Services Administration (GSA).

- The National Security Council is requesting the addition of a Representation Fund to our appropriation language effective FY 1991. This fund will be used to cover small item expenses incurred by NSC staff members due to representation and support of the President. The amount requested is $2,000.

- The increase of $244,000 in Other Services represents the cost of funding the construction of a vaulted storage area and work space for our Information Policy Directorate which would provide them a facility that would be secure for storing and handling SCI material in an open work area. Also included in this line item is the cost of reimbursing the Department of State for Foreign Affairs Administrative Support Services (FAAS).

The appropriation also provides $392,000 for the President's Intelligence Oversight Board and the President's Foreign Intelligence Advisory Board.

NATIONAL SECURITY COUNCIL

Budget Overview
(Dollars in Thousands)

	Actual FY 1989	Estimated FY 1990	Estimated FY 1991	Net Change FY '90-'91
Budget Authority:				
Appropriation	5,063	5,335	5,893	+558
Employment				
FTP	58	60	60	0
Total FTE	60	60	60	0

III. APPROPRIATION LANGUAGE

Executive Office of the President
National Security Council

Salaries and Expenses

For necessary expenses of the National Security Council, including services as authorized by 5 U.S.C. 3109; $5,893,000; and not to exceed $2,000 for official reception and representation expenses.

NATIONAL SECURITY COUNCIL

Salaries and Expenses

Program and Financing (in thousands of dollars)

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
11-2000-0-1-802			
Program by activities:			
00.01 Policy and Operations Coordination	4,703	4,933	5,501
00.02 President's Intelligence Advisory Boards	360	402	392
00.91 Total Direct Program	5,063	5,335	5,893
01.01 Reimbursable Program	28	38	0
10.00 Total Obligations	5,091	5,373	5,893
Financing:			
11.00 Offsetting Collections from: Federal Funds	-28	-38	0
25.00 Unobligated Balance Lapsing	37	0	0
40.00 Budget Authority	5,100	5,335	5,893
Relation of Obligations to Outlays:			
71.00 Obligations Incurred, Net	5,063	5,335	5,893
72.40 Obligated Balance, Start of Year	1,072	792	1,280
74.40 Obligated Balance, End of Year	-792	-1,280	-1,414
77.00 Adjustments in Expired Accounts	-385	0	0
90.00 Outlays	4,959	4,847	5,759

NATIONAL SECURITY COUNCIL

Program and Performance

The National Security Council advises the President with respect to the integration of domestic, foreign and defense policies related to national security. The President's Foreign Intelligence Advisory Board has the authority to continually review the performance of all agencies of the Federal government that are engaged in the collection, evaluation, or production of intelligence or the execution of intelligence policy. The President's Intelligence Oversight Board informs the President of intelligence activities that are believed to be in violation of the Constitution or laws of the United States, Executive Orders, or Presidential directives.

NATIONAL SECURITY COUNCIL

Salaries and Expenses

Object Classification (in thousands of dollars)

	11-2000-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
	Personnel Compensation:			
11.1	Full-time Permanent	2,452	2,364	2,537
11.3	Other Than Full-time Permanent	154	194	205
11.5	Other Personnel Compensation	241	149	180
11.8	Special Personal Services Payments	5	31	0
11.9	Total Personnel Compensation	2,852	2,738	2,922
12.1	Civilian Personnel Benefits	431	448	478
13.0	Benefits for Former Personnel	0	0	0
21.0	Travel and Transportation of Persons	250	350	400
22.0	Transportation of Things	0	0	0
23.1	Rental Payments to GSA	919	979	1,008
23.3	Communications, Utilities, and Miscellaneous Charges	313	311	320
24.0	Printing and Reproduction	22	15	16
25.0	Other Services	107	367	611
26.0	Supplies and Materials	106	88	94
31.0	Equipment	63	39	44
99.9	Total Obligations	5,063	5,335	5,893

NATIONAL SECURITY COUNCIL

Salaries and Expenses

Personnel Summary

11-2000-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Total Number of Full-time Permanent Positions	58	57	57
Total Compensable Workyears:			
Full-time Equivalent Employment	60	60	60
Full-time Equivalent of Overtime and Holiday Hours	6	5	5
Average Support Staff Grade Level	9.41	9.95	10.50
Average Support Staff Salary	27,224	31,000	32,499
Average Professional Staff Grade Level	16.50	16.30	16.50
Average Professional Staff Salary	54,283	67,849	69,900
Overall Average GS Grade	12.11	12.17	13.00
Overall Average GS Salary	37,532	44,085	46,900

NATIONAL SECURITY COUNCIL

Salaries and Expenses

Detail of Permanent Positions

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
11-20000-0-1-802			
Executive Level IV	1	1	1
GS-18	6	6	6
GS-17	4	3	3
GS-16	2	3	3
GS-15	7	7	7
GS-14	1	1	1
GS-13	4	4	4
GS-12	3	3	3
GS-11	5	6	6
GS-10	8	7	7
GS-9	10	11	11
GS-8	4	2	2
GS-7	2	2	2
GS-6	0	3	3
GS-5	1	1	1
Total Permanent Positions	58	60	60
Unfilled Positions, End of Year	0	0	0
Total Permanent Employment	61	60*	60
Total Permanent Positions	61	60	60
Unfilled Positions, End of Year	0	0	0
Total Permanent Employment End of Year	61	60	60

*Includes 2 Part-Time employees

IV. SUMMARY TABLES

Executive Office of the President
National Security Council

Summary of Budget Authority by Object Class
FY 1989 - 1991

BUDGET OVERVIEW
(in thousands of dollars)

	Actual FY 1989	Estimated FY 1990	Estimated FY 1991	Net Change FY '90-'91
Personnel Compensation: Full-time Permanent	2,452	2,364	2,537	+173
Other Than Full-time Permanent	154	194	205	+ 11
Other Personnel Compensation	241	149	180	+ 31
Special Personal Services Payments	5	31	0	- 31
Total Personnel Compensation	2,852	2,738	2,922	+184
Civilian Personnel Benefits	431	448	478	+ 30
Benefits for Former Personnel	0	0	0	NONE
Total Compensation & Benefits	3,283	3,186	3,400	+214
Travel and Transportation of Persons	250	350	400	+ 50
Transportation of Things	0	0	0	NONE
Rental Payments to GSA	919	979	1,008	+ 29
Communications, Utilities and Miscellaneous Charges	313	311	320	+ 9
Printing & Reproduction	22	15	16	+ 1
Other Services	107	367	611	+244
Supplies & Materials	106	88	94	+ 6
Equipment	63	39	44	+ 5
Total Direct Program	5,063	5,335	5,893	+558
Lapse	37	0	0	NONE
Budget Authority	5,100	5,335	5,893	+558

V. EXPLANATION AND JUSTIFICATION OF CHANGES BY OBJECT CLASS FOR FY 1991

Executive office of the President
National Security Council

(in thousands of dollars)

I. Net Change to Maintain Current Services & Request Levels

FY '90	FY '91		Net Change
		PERSONNEL COMPENSATION AND BENEFITS FY 91 - $3,400,000	
3,186	3,400	Funding levels for the National Security Council are primarily determined by expenditures for personnel. 58% of the total funds requested for FY91 are for personnel. Funds in the amount of $3,400,000 would provide for the full-time permanent employees in FY91 for the National Security Council and the President's Foreign Intelligence Advisory Board. No additional permanent positions are being requested in the FY91 budget submission.	+214
		TRAVEL FY 91 - $400,000	
350	400	The request of $400,000 will provide for travel by the National Security Council on Presidential, Summit and cabinet-level trips.	+ 50
		STANDARD LEVEL USER CHARGES FY 91 - $1,008,000	
979	1,008	The cost of NSC's office space is projected to rise $29,000. This increase is based on guidance from the General Services Administration for rates established for FY91 especially affecting space in the old Executive Office Building.	+ 29

FY '90	FY '91		Net Change
		COMMUNICATIONS, OTHER RENT AND UTILITIES FY 91 - $320,000	
311	320	The $320,000 requested will provide for the NSC's commercial telephone needs including FTS, postage, after-hour utilities, and telegraph communications.	+ 9
		PRINTING FY 91 - $16,000	
15	16	The $16,000 requested will fund the NSC's projected printing requirements.	+ 1
		OTHER SERVICES FY 91 - $611,000	
367	611	$121,000 of the requested money will provide for the NSC's maintenance and repair of NSC equipment such as copying and telex machines, GSA reimbursable work authorizations, scheduled renovation projects and training. $250,000 of this request will be used to reimburse the Department of State for Foreign Affairs Administrative Support (FAAS) Services. This is a new requirement for the NSC as of FY 90. $240,000 of this request will be used to prepare a vaulted storage area and work space for our Information Policy Directorate which we were not able to construct in FY90 due to the FAAS requirement for the State Department.	+244
		SUPPLIES FY 91 - $94,000	
88	94	$92,000 of this request will provide for the NSC's traditional office supplies and any computer supplies that may be required. $2,000 of this request will provide the NSC with a representation fund for official reception and representation expenses.	+ 6

FY '90	FY '91		Net Change
		EQUIPMENT FY 90 - $44,000	
39	44	The $44,000 requested will provide NSC with traditional office or ADP equipment that may be required or as necessary, replace present equipment.	+ 5
5,335	5,893	TOTALS	+558

THURSDAY, MARCH 22, 1990.

OFFICE OF FEDERAL PROCUREMENT POLICY

WITNESSES

DR. ALLAN V. BURMAN, ADMINISTRATOR

DAVID F. BAKER, ASSOCIATE ADMINISTRATOR FOR MANAGEMENT CONTROLS

CHRISTOPHER A. JORDAN, POLICY ANALYST

Mr. AKAKA. The subcommittee will be in order.

We welcome you, Mr. Burman and Mr. Baker and Mr. Jordan. We look forward to each testimony, and you may present it as briefly as you can. And we may want to ask some questions after your testimony. Thank you very much.

Mr. BURMAN. Thank you very much, Mr. Chairman. Mr. Chairman, Mr. Skeen, Mr. Gunnels. I am Allan Burman. I am the Administrator for Federal Procurement Policy. In fact, this is going to be the fourth year that I have had the opportunity to come up here to testify before the committee regarding the Office of Federal Procurement Policy's budget, but this is the first time I will be doing so as the Administrator. I was very pleased and honored that the President nominated me for this position in October, and I was just confirmed by the Senate on March 1st.

Mr. SKEEN. Congratulations.

Mr. BURMAN. Thank you very much. David Baker, our Associate Administrator and Chris Jordan, our Budget Officer are with me here today.

I do have a fairly lengthy statement which, if I may, I would like to submit for the record and then briefly summarize it.

Mr. AKAKA. It will be entered into the record.

OFPP'S BUDGET REQUEST

Mr. BURMAN. Thank you very much. What I would like to do is just talk briefly about our budget request and then discuss some of the things that we have been doing the past year and some of the activities that we have planned for the coming year.

With regard to our budget request for 1991, we are asking for $2,914,000, which represents a 9.5 percent increase over the Fiscal Year 1990 enacted amount of $2,660,000. This request includes $40,000 to cover half of the proposed salary increase for senior executive service and executive level employees.

With regard to staffing, we are asking for 37 full time equivalent employees which is the same number that we asked for and that you approved last year.

The funding level that we have requested for 1991 will support not only the salary increases that I mentioned, but it will also support full staffing of a new board that I will chair and that will establish and review cost accounting standards for government contractors.

This board was authorized under Public Law 100-679, the Act that gave permanent authorization to our office. Our current budget will let us set up the board and staff it for the remainder of the year. And in the interest of time, I do not plan to go into a detailed description of the increases and decreases in our request, but I have included such a discussion in the justification material that is attached to my statement.

RECENT ACCOMPLISHMENTS

With regard to what we are doing and have done, as I mentioned to the committee last year, one of our most important roles is to look at procurement regulations that are being put out by the various agencies to see that they are necessary, as simple and as uniform as possible and impose the least burden on the public. We do believe this to be one of our most important responsibilities.

Just to give you some statistics, of the 440 rules that we have analyzed since 1987 when this program was started, 142 or 32 percent of them have been withdrawn or modified by their sponsoring agencies due to the concerns that we have expressed. So I believe we are having some effect in this role.

We also work very closely with OMB's Office of Information and Regulatory Affairs in reviewing procurement related paperwork. In addition, we have just issued our second Procurement Regulatory Activity Report, which describes all procurement regulatory actions that are underway in the departments and agencies of the Executive Branch. We believe these reports are useful to those of us who have to oversee the procurement system, but we think they are also very helpful to those people out in industry who want to get a sense of what is likely to be coming their way.

I have provided copies of the first report on the procurement regulatory activity and also the procurement paperwork report for you so you can get a sense of what these reports entail.

On the paperwork burden, I expect it is not surprising that this burden constitutes the second most extensive paperwork burden that the government imposes on the public. It is only second after tax collection and recordkeeping. And some people say, "Why should we worry so much about this kind of paperwork since the government pays for it," but obviously when the government asks for it, if it does not need it, it is not the government that pays, it is the taxpayer who pays for this paperwork.

There is a whole host of other projects we have undertaken during the last year. We have been trying to improve the operations of the Federal Procurement Data Center in the General Services Administration so we have a better idea of whom we are contracting with and under what conditions.

We are delighted that Mrs. Newman in the Office of Personnel Management agreed to granting professional status to government contracting officers. This is something that we felt was long overdue and sorely needed to give that distinction to these people. So we consider that to be a major success of the past year.

We are working on rules to try to help subcontractors and small and disadvantaged businesses working with the government. We have set up demonstration programs with regard to eliminating set asides for certain categories of activities. We have been putting out guidance on anti-lobbying provisions that were in the Interior Appropriations Bill this past year, and we have also been working very closely with the Congress to develop guidelines for the agencies on conflicts of interest for consultants. This has been a major issue and a major concern as well.

I would be happy to go into further detail on any of these projects if you would like.

Another area that we have spent some time on has been this question of procurement integrity. This was another aspect of our reauthorization bill. It has been put on suspension for a one year time period, but the notion and the intent of the provision was to see that people would not be accepting gratuities or having employment discussions when they should not, or be accepting source selection or proprietary information that was inappropriate to be handed out. So that is another area that is important, and we are working with the Congress now to see what we ought to do during this year with regard to that particular statute.

We are continuing to look at the Federal Acquisition Regulation, to try to streamline that in terms of new activities that we will be having underway, and we are also shortly going to present to the Congress a new proposal for making it much easier for the government to buy commercial products using commercial procedures. There is certainly a lot of interest in that, both up here and in the Executive Branch. It should be a part of the Defense Management Review, and it will apply on a government-wide basis. So that is something we expect we will be spending a lot of time on this year.

I should also note that we have completed a major intra-office management improvement initiative as well. We now have all of our personal computers in the office connected, so that we have a new local area network. And I get messages on it all the time from the staff. So we are doing our own internal effort at trying to modernize the process as well.

That is a very quick run through of the kinds of activities that we have had underway and the sorts of things that we are planning to do. I do believe the Office performs a very important role with regard to procurement policy throughout the government. We are very grateful for the support that this Committee has given to our Office over the years. This concludes my prepared remarks, but of course I would be happy to answer any questions that you or Mr. Skeen or Mr. Gunnels might have.

[The information follows:]

1-1

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

MAR 20 1990

Honorable Edward R. Roybal
Chairman
Subcommittee on Treasury, Postal Service
and General Government
Committee on Appropriations
U. S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Transmitted herewith is the Fiscal Year 1991 budget justification for the Office of Federal Procurement Policy (OFPP). Our request for $2,914,000.00 reflects an increase of $254,000.00 from the enacted Fiscal Year 1990 level. We are not requesting an increase from our current level of 37 FTE positions as our staff ceiling. It is my belief that this will allow OFPP not only to continue our current programs, but also to initiate new policy actions, including those associated with implementing the Office of Procurement Policy Act Amendments of 1988, Public Law 100-679.

I am looking forward to meeting with you and your colleagues at our budget hearing. In the meantime, if I can be of assistance please let me know.

Sincerely,

Allan V Burman

Allan V. Burman
Administrator

Enclosure

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

**STATEMENT
OF
ALLAN V. BURMAN
ADMINISTRATOR
OFFICE OF FEDERAL PROCUREMENT POLICY
OFFICE OF MANAGEMENT AND BUDGET
FOR THE
SUBCOMMITTEE ON THE TREASURY, POSTAL SERVICE,
AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES
MARCH 22, 1990**

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before the subcommittee to discuss the FY 1991 budget request for the Office of Federal Procurement Policy (OFPP). I also appreciate the opportunity to briefly describe the activities of the Office during the past year, and the initiatives we plan to pursue through the remainder of this fiscal year and into FY 1991. I am accompanied here today by David Baker, OFPP's Associate Administrator, and Chris Jordan, OFPP's budget officer.

For FY 1991, we are requesting an increase of $254,000 for a total of $2,914,000. This represents a 9.5 percent increase over the FY 1990-enacted amount of $2,660,000. Due to reductions made under the Balanced Budget and Emergency Deficit Control Act of 1985, OFPP has an actual budget of $2,626,000 for FY 1990. I would like to note that our request for FY 1991 includes $40,000 to cover 50 percent of the proposed salary increase for Senior Executive Service and Executive Level employees.

We are requesting 37 Full time equivalent employees (FTE's) this year, the same number that Congress approved last year. In addition to the aforementioned salary increases, the funding level we have requested for FY 1991 will support full staffing of the new Cost Accounting Standards Board that was authorized to be set up in OFPP under Public Law 100-679, the Act that gave permanent reauthorization to our Office. Our current budget will enable us to establish the Board and staff it for the remainder of the fiscal year. The attached budget justification material provides more information on our FY 1991 request.

Accomplishments

The past year has been a very busy and productive one at OFPP. Procurement regulatory review continues to dominate the OFPP agenda in terms of staff time and effort. We want to see that the procurement rules issued by departments and agencies are necessary, as simple and as uniform as possible and impose the least burden on the public. We have analyzed 444 rules since 1987. Of those, 142, or 32 percent, have been withdrawn or modified by their sponsoring agencies due to the concerns we expressed. We also have worked closely with OMB's Office of Information and Regulatory Affairs (OIRA) in reviewing 185 procurement-related information collection requests and have asked for alterations, clarifications, or withdrawals of 74 of those.

OFPP has also moved further into the regulatory review arena with the issuance of the Procurement Regulatory Activity Report. This report, which is required by statute to be issued twice each year, provides a compilation and analysis of all procurement-related regulatory actions underway in the departments and agencies of the Executive Branch. The first report was issued in June, 1989, and the second report in December, 1989. The reports are useful not only for those of us who oversee the procurement regulatory process, but also for those in industry who can better anticipate future procurement regulatory or policy changes. I have provided the Committee copies of the first report so that you can see the types of information provided.

During the past year, OFPP also completed a report to the Congress entitled: Federal Procurement Paperwork Burden. This report, prepared in consultation with OIRA, describes the magnitude of the paperwork burden created by the Federal procurement process and the extent to which unnecessary paperwork burdens can be reduced by streamlining the Federal procurement system. It is perhaps not surprising that procurement paperwork constitutes the second most extensive paperwork burden the government imposes on the public. Only the tax collection and reporting burden is greater. When excessive paperwork is required, it is not the government who pays, it is the taxpayer. I have also provided copies of this report to the Committee.

OFPP has also undertaken many new projects during the past year. These include:

- Preparation and issuance of guidelines to enable contractors to comply with the requirements of the Drugfree Workplace Act;
- Preparation and issuance of a Report to the Congress on ways of improving the Federal Procurement Data Center and making it more responsive to the needs of its customers;
- In conjunction with the Office of Personnel Management, the development and issuance of new professional level classification and qualification standards for individuals employed in GS-1102, civil service series, contracting positions;

- In coordination with the Federal Acquisition Regulatory Councils, development and issuance of a regulation that requires the payment of liquidated damages in the event the contractor fails to make a good faith effort to achieve the goals of its subcontracting plan;

- In accordance with Public Law 100-656, development and implementation of the Small Business Competitiveness Demonstration Program. That program is designed to eliminate small business set-asides in those industries where set-asides appear to be unnecessary, while encouraging greater small business participation in other industry categories;

- Development and issuance of guidance to be used by all Federal departments and agencies in complying with the stipulations of the provisions contained in the FY 1990 Department of the Interior Act;

- Issuance of OFPP Policy Letter 89-1, which provided policy guidance to agencies regarding conflicts of interest applicable to Government consultants.

In addition, OFPP has been -- and continues to be-- heavily involved in the area of procurement integrity. Following the enactment of the OFPP Act Amendments of 1988, which included certain restrictions on contractors and government procurement personnel, OFPP issued guidance to Federal agencies which was later incorporated in a Federal Acquisition Regulation interim rule. We also worked with Senate staff and the National Contract Management Association to develop training materials in this area.

Although the integrity section of the OFPP Reauthorization Act has been suspended for one year by section 507 of the Ethics Reform Act of 1989, we continue to work closely with representatives of the major departments and agencies to address ethics and conflict of interest concerns. We will shortly be meeting with appropriate government committees to see what changes, if any, should be made in the Procurement Integrity statute.

Planned Activities

While I believe that OFPP has been an important catalyst in improving the procurement process during the past years, clearly much more needs to be done. One of OFPP's major tasks, and one that will call on the resources of the entire staff, is a systematic, comprehensive review of the Federal Acquisition Regulation (FAR). After undergoing substantial changes since its issuance six years ago, the FAR is in need of such a review to insure that all the changes promulgated since 1984 are necessary, clear and consistent. This review, which we initiated last December, should result in substantial improvements in the FAR, in terms of both substance and presentation.

In addition, we continue to urge departments and agencies to review their FAR Supplements for consistency with the FAR. To this end, as part of the Defense Management Improvement effort, that Department has found that the Defense Federal Acquisition Regulation Supplement (DFARS) can and should be substantially revised. In fact, DoD's Regulatory Relief Task Force has recommended the cancellation, combination, or revision of 79% of the over 66,000 lines of the Defense Department's FAR supplement.

But our review of the FAR is only one initiative that we plan to pursue during the coming year. Others include:

o Working with the Department of Defense and other major procurement agencies on a legislative proposal that would simplify the procedures for purchasing commercial products;

- Reviewing the "rule of origin" concept in the Buy American Act, and preparing a report to the Congress on our findings and recommendations;

- Developing, with the help of the departments and agencies, a model Contract Administration Plan for use by civil agencies in monitoring contractor performance; and

- Issuing policy guidance to the departments and agencies designed to assist them in developing needed procurement regulations.

We have also been in the process of completing a major intra-office management improvement initiative -- the connecting of all personal computers within OFPP through the use of a local area network. This will be an invaluable help in increasing productivity by facilitating efficient communication.

Conclusion

For the past 15 years, Congress and the President have looked to the Office of Federal Procurement Policy to lead and oversee efforts to improve the Government's acquisition processes. During that period, OFPP has been instrumental in effecting fundamental reforms in those processes: it has issued over 40 basic policy documents; assisted in the drafting of such landmark legislation as the *Competition in Contracting Act of 1984*; directed the issuance of the *Federal Acquisition Regulation*; conducted in-depth analyses of procurement issues and issued over thirty reports and proposals summarizing those analyses; and taken important steps in seeking the professionalization of the Federal procurement workforce. Enactment of the 1988 OFPP Reauthorization Act confirmed both the need for the Office and the importance of the role it has played. I believe that, with adequate resources, OFPP can further embellish its record of achievement, and continue to make a critical difference in reforming and streamlining the procurement processes of the Federal Government.

I would be pleased, Mr. Chairman, to respond to questions you or the other members of the subcommittee may have.

Mr. **Akaka**. Thank you very much, Mr. Burman. I too want to congratulate you on your confirmation.

Mr. **Burman**. Thank you.

Mr. **Akaka**. I guess because of your past experience with this agency you have been very articulate with your responsibility, and I commend you for that.

Mr. **Burman**. Thank you, sir.

REGULATORY REVIEW

Mr. **Akaka**. I was interested in your comment about procurement regulations which you want to have simple and uniform rulemaking guidelines. I'm interested in the figure that out of 444 rules issued, 142 were withdrawn or modified. Now, why were those withdrawals made?

Mr. **Burman**. They were not all withdrawals, but they were modifications for the most part. We have withdrawn a limited number of rules where we said that an agency was trying to propose something that already was in government-wide guidance, and it just creates proliferation and confusion. So in those cases we have done that.

But often they will get a rule where an agency will propose something that is already there, but they have not taken the time to see what is already out there. And we have suggested that instead of proposing a unique role for the agency they ought to do this on a government-wide basis.

Mr. **Akaka**. Has that always been the procedure of your agency?

Mr. **Burman**. No, it is something we have created as a matter of fact. It is something we started in 1987. And one of the reasons we did it is because there have been so many concerns about this proliferation of paperwork and requirements that go out to businesses—a lot of small businesses complain about this red tape as well.

Mr. **Akaka**. As you have stated, your FY 90 appropriation is $2.6 million, and your FY 91 budget estimate is $2.9 million.

Mr. **Burman**. Right.

Mr. **Akaka**. And you seek an increase of $288,000. Let me ask you a simple question. Why the increase over Fiscal Year 1990?

COST ACCOUNTING STANDARDS BOARD

Mr. **Burman**. When we proposed our budget last year, we thought that we would be getting this cost accounting standards board created. There have been some difficulties. In fact, I believe I mentioned to the Committee last year the problems that we were having in being able to name active industry members to the board. We believe that that was the intent of Congress, but there were concerns with regard to ethics rules as to whether that was appropriate.

We had to work with the Office of Government Ethics, and we got a letter this fall from them saying that it was appropriate for us to have active industry members on the board. Now we are proceeding with making the appointments.

We had asked for staffing to get the board established this year. The next year—for 1991, we expect the board to be fully established and fully staffed with five people. We do not have cost accountants in the office right now, and to fully establish the board and with that full staff—that is the basic reason for our asking for more money.

CONTRACTING OUT

Mr. **Akaka**. What is your overall Federal government policy in contracting out as opposed to in-house contracting?

Mr. **Burman**. Well, as you know, there has been a longstanding bipartisan policy that said that the government, with regard to commercial activities, should look first to the private sector for work to be performed rather than have that work done by the government. However, we do have an OMB Circular—OMB Circular No. A-76—that says that if the government is already performing a commercial type activity, then what we should do is have a competition to see whether or not it is most cost effective for the government to continue that activity as opposed to just putting it in the private sector.

We have been working to try to make that process work a little better than it has in the past. There have been lots of concerns, particularly with government employees. When one starts looking at activities and trying to see whether they should be done in the private sector, clearly that is going to cause some worry and concern.

We now have a new Assistant Director for Management in OMB, and we have given him the overall responsibility for all of the productivity programs, including the A-76 program. We hope to see if we can come up with a better approach on doing this and one that does not quite get the same kind of adverse effects that have been used in the past and criticized.

But it does save money when we do this. On the average, 30 percent of the cost of the activity is saved when we do an effective contracting out proposal. So that is something that we feel is important to continue, but we want to continue the best way we can.

I have discussed this with Mr. Kanjorski, and Senator Pryor has raised concerns about this. So it is clearly an issue that is an important one for the Office.

Mr. **Akaka**. Mr. Skeen.

Mr. **Skeen**. Thank you, Mr. Chairman. Mr. Burman, I want to commend you on the job that you have done in the past, and wish you well in the future. I think they made a good selection.

Mr. **Burman**. Thank you very much.

Mr. **Skeen**. It always distresses me that government takes the attitude that we love the private sector businesses and so forth, but we have very little regard in many instances for the kinds of burdens that we place on them. I appreciate the fact that your office has a sensitivity on the streamlining of the paperwork. Because I think one of the biggest operational expenses the small business has today is keeping up with just the requirements of both Federal and state and local government units as far as paperwork. It is an enormous expense. It may be necessary, but a lot of times it is very unnecessary. I think you are doing a good job of taking a look at it to see if it is.

FEDERAL ACQUISITION REGULATORY COUNCIL

And I was curious too about how many procurement agencies—and I know that yours is in Procurement Policy—but you have procurement agencies in GSA—they have a big program; DOD does and—how well coordinated are they?

Mr. **BURMAN**. Well, they are somewhat coordinated. When the Federal Acquisition Regulation was established in 1984, the intent was to set government-wide policies and regulations that was worked on and agreed to by all of the various agencies. So there is coordination there.

There is also a new council that was established in our authorization bill that is called the Federal Acquisition Regulatory Council that includes representatives of Defense, NASA, GSA and our office. It is meant to look across-the-board at these kinds of procurement issues.

Within the General Services Administration, there is a regulatory council called the Civilian Agency Acquisition Council that is made up of all of the domestic agencies that looks at rules and regulations. So I believe that we do have a fairly effective system for coordinating what we are doing.

Mr. **SKEEN**. I am happy to hear that because a lot of times I think that we are so cellularized in government, that one agency's setting procurement policies that there is not too much interchange and communication. But I hope that this is not the case.

You asked for additional FTEs last year in the budget. Have you put those people in place, and what kind of improvement have you had from the expanded personnel?

Mr. **BURMAN**. We have hired some additional people, but one of the reasons that we have been asking for these people has been to set up this Cost Accounting Standards Board. We have just recently gotten approval on the appointments for the members of the Board. I need to consult with them on the Executive Director. And so I have not hired these people yet. Once I get the Executive Director, I think it is appropriate that that individual ought to be looking for the people who are really going to be working most closely with him or her to do that.

Mr. **SKEEN**. That is a good management practice as well.

Mr. **BURMAN**. But I would like now to get this Board set up so that I can get the people on board by the end of this fiscal year. That way, we will in fact have a full play for the next fiscal year.

We have also been holding two positions open for the administrator and a secretary because obviously I did not want to anticipate what was likely to happen to me.

Mr. **SKEEN**. So you are in transition up there?

Mr. **BURMAN**. So we are in transition with that.

Mr. **SKEEN**. With the personnel. All right. So you do not have any way of gauging how effective or how much help it has been until you get this thing in place?

Mr. **BURMAN**. Right.

CONFLICTS OF INTEREST

Mr. **SKEEN**. I understand that. You mentioned the ethics situation and also the problems with conflict of interest. Do you think our policy is tough enough and enforceable enough first of all, to streamline and keep a high level of ethics involved in the procurement practices and also to take care of the avoidance of any conflict of interest?

Mr. **Burman**. I think it is. We have worked for quite a long time to get a policy letter developed that would address the question of what exactly are we talking about with regard to conflict. And there we are looking at people who for some reason can not provide impartial or objective advice to the government or who somehow have an unfair competitive advantage.

We have structured a system for firms who are doing business with the government to report where they have done similar work on related activities so that the government official knows whether there is likely to be any bias in the kinds of recommendations the government is getting.

And I think by putting that in place—and we put that policy letter out in December, the rulemaking agencies are putting rules together for that now—I think that that will give the government the disclosure that it needs to ensure that we are taking care of that issue.

Mr. **Skeen**. We have gone to great extremes to keep the ethics high, to keep the conflict of interest low. But it is almost an impossible task at times because if you have people, as you mentioned, on your board that have had any experience at all, there is bound to be some kind of conflict.

I think that probably the answer lies in the fact that when you have people come aboard that have that kind of background and you want that experience, you want the advantage of having their knowledge they themselves understand that when a situation arises that could become a conflict. They are aware of it, and they police themselves in this thing. I think that is the best answer.

We are doing it in Congress. We never know where we have learned—one or the other, but you have to be very, I think, judgmental and exercise good judgment in this thing. I think that—I hope that there is some training program to let these people understand that it is all right to have a conflict of interest so long as everybody knows about it or that you do not make judgments based on anything that could be a conflict of interest. And then we cut out all this foolishness that we have got all these great associations that—and media opportunities to find out who is in conflict. Make your statements and make your conflict statements and get on with it.

Mr. **Burman**. I agree with you. Just to add one point with regard to the people serving on the Board, there will be a provision for them to recuse themselves from an activity or if an action comes up that relates directly and solely to their firm as opposed to industry regulations across-the-board.

Mr. **Skeen**. With that kind of implementation of an anti-conflict policy in which those individuals do recuse themselves and they do it on a regular basis, I think you build a lot of confidence in the public. That is just an observation. Otherwise, this thing is going to get to the point where no one is pure enough to be in any kind of service at any level. And I think that is dumb.

What is happening in the development of your drug-free work place policy adherence?

DRUG FREE WORKPLACE GUIDANCE

Mr. **Burman**. We are working with Secretary Bennett's group on contractor rules and implementation. As you know, we did put out last January rules that relate to reporting on any convictions for drug use in the workplace, and that is already underway. All of the contracts that firms are signing with the government include that clause, and they have to accept that and attest that they are going to do that. I think that we have a fairly effective system for ensuring that people in the private sector are paying attention to that issue.

Mr. **Skeen**. At least they are aware that there is some implementation?

Mr. **Burman**. Right.

Mr. **Skeen**. Very good. Thank you for your responses. And thank you, Mr. Chairman.

Mr. **Akaka**. Thank you, Mr. Skeen. In regards to this Drug-Free Work Place Act, you have described some of the guidelines provided to contractors. How has the compliance been?

Mr. **Burman**. The contractors have been signing up to the program. I understand that many of the firms have training programs and other kinds of activities underway to help employees if there are problems in this regard. But I do not know that we have a comprehensive collection of information from all of these various contracts at this stage to know how many convictions, for example, may have been reported to the government. I do not know that those statistics have been collected anywhere.

Mr. **Akaka**. Does the Office play a part in the privatization program proposed by the Administration?

Mr. **Burman**. The only role that we have really played in that regard has been on the A-76 issue that I discussed previously.

Mr. **Akaka**. You cover so many things. Let me ask you, what do you consider to be the biggest problem in Federal procurement?

Mr. **Burman**. I think that a problem—and it is an old one and a continuing problem—has been overspecification. The government, rather than tell somebody what it wants and what it would like it to do, tells them how to do it and gives them all of this fine print about all of the rules and requirements and specs on all of these items. I think we have to do a better job of accepting that people out there should have some ability to make determinations on that. And if the government can get what it wants and it does what the government wants it to do, then we should be happy with that product.

Mr. **Akaka**. Yes, you are correct. And it costs the government money because of that. I was interested also in your comment on conflict of interest by lobbyists and procurement integrity. Can you discuss what you are doing in that regard?

Mr. **Burman**. Sure. The procurement integrity legislation put prohibitions on procurement officials from accepting gratuities, from having employment discussions with contractors, from handing over source selection or proprietary information—sensitive procurement information. It also put some prohibitions on people going to work for contractors under certain conditions.

The notion there was you wanted to make sure that the government was making decisions not based on personal gain by contracting officers, but for the best interest of the government.

There have been some difficulties in implementing that, mainly because of the points that we were discussing about the burden of certifications and all of these kinds of requirements on contractors. And partially as a result of that, that provision was suspended last November as part of the Ethics Act.

I have a group from various agencies, the Office of Government Ethics, and the Justice Department working on that right now to see if we can come up to Congress to propose some alternative approach for meeting those needs that perhaps is a little less burdensome than that original proposal. And I expect to be up here talking to committees very shortly on that.

COMMERCIAL PRODUCTS

Mr. **Akaka**. You also mentioned your proposal on commercial purchases. What is the status of your authorizing legislation?

Mr. **Burman**. That is a part of the Defense Management Review package that Secretary Cheney will be sending to Congress. We have put in a government-wide provision, so even though it will be sent up by the Secretary of Defense, it is going to include commercial product practices for all agencies of government.

Mr. **Akaka**. Do we have any further questions?

Mr. **Skeen**. Mr. Chairman, just one additional. You were talking about the overspecification in the procurement thing, and that is a government-wide abuse that we have suffered from too long. I think you are exactly right, and it leads to conflict in itself because you can almost sole source something if you want to write the specifications. You let me write the specifications, and I can tell you who is going to get the contract.

Mr. **Burman**. Exactly.

Mr. **Skeen**. And we have carried it to a very fine degree. So once again I commend you on your ability to see what this thing is all about. You have got a good handle on it.

Mr. **Burman**. Thank you.

Mr. **Skeen**. Thank you, Mr. Chairman.

Mr. **Akaka**. Thank you. And with that last question from Mr. Skeen, we have no further questions. I want to say thank you very much for your presentation this morning.

Mr. **Burman**. Thank you again. I very much appreciate it.

[The justifications follow:]

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF FEDERAL PROCUREMENT POLICY

Justification of Estimates

for the 1991

Appropriations Request

PREPARED FOR THE COMMITTEE ON APPROPRIATIONS

APPROPRIATIONS LANGUAGE

1991 Regular Appropriations

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF FEDERAL PROCUREMENT POLICY

SALARIES AND EXPENSES

For expenses necessary for the Office of Federal Procurement Policy including services as authorized by 5 U.S.C. 3109, $2,914,000.

OFFICE OF FEDERAL PROCUREMENT POLICY

Mission Statement

The Office of Federal Procurement Policy, established in 1974, is responsible for promoting economy, efficiency, and effectiveness in the procurement of property and services by and for the Executive Branch.

SUMMARY TABLES

Budget Overview
(in thousands of dollars)

	Actual 1989	Estimated 1990	Requested 1991
Budget Authority	2,353	2,626	2,914
Obligations	2,311	2,626	2,914
Outlays	2,487	2,590	2,882

Personnel Overview

	1989	1990	1991
Full-time Equivalent Positions	32	37	37

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF FEDERAL PROCUREMENT POLICY

SALARIES AND EXPENSES

Programing and Financing (in thousands of dollars)

	Actual 1989	Estimated 1990	Requested 1991
Program by activities:			
Procurement Policy	2,311	2,626	2,914
Financing:			
Unobligated balance lapsing	43	---	---
Budget Authority	2,353	2,626	2,914
Relation of obligations to outlays			
Obligations incurred, net	2,311	2,626	2,914
Obligated balance, start of year	659	424	460
Obligated balance, end of year	-424	-460	-492
Adjustments in expired accounts	-58	---	---
Outlays	2,487	2,590	2,882

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF FEDERAL PROCUREMENT POLICY

SALARIES AND EXPENSES (Continued)

Object Classification (in thousands of dollars)

	FY '89 Actual	FY '90 Estamate	FY '91 Request
Personnel compensation:			
Full-time	1,365	1,774	1,975
Other than full-time permanent			14
Other Personnel Compensation	42	20	20
Special personal services payments	24	25	25
Total personnel compensation:	1,431	1,819	2,034
Personnel benefits	200	215	265
Travel and transportation of persons	27	40	41
Rental Payments to GSA	270	309	324
Communications, Utilities and Miscellaneous Charges	57	70	71
Printing and Reproduction	8	20	20
Other Services	121	84	62
Supplies and materials	64	29	50
Equipment	133	40	47
Total Obligations:	2,311	2,626	2,914

COST JUSTIFICATION BY OBJECT CLASS

Personnel Compensation (Object Classification 11), $2,034,000

The 1991 request represents an increase of $215,000 over the 1990 estimate. Although the Office is not seeking an increase in its authorized personnel ceiling of 37 positions, the requested budget increase is necessary to allow the Office to accomodate that number. Under its current budget, OFPP can only fully fund 35 positions. OFPP believes that a staff of 37 is necessary to fully implement the Office's expanded statutory functions under the OFPP Act Amendments of 1988 (Public Law 100-679), such as those in support of the Cost Accounting Standards Board (CASB). In addition, the increase will fund the January, 1990 pay raise for civilian employees and one-half of the pay raise for Senior Executive Service employees. Any additional pay increases will be absorbed by the Office.

When fully staffed, OFPP will be in position to fulfill its responsibilities under the expanded OFPP Act, and to maintain its current role in the procurement regulatory area -- including the review of the Federal Acquisition Regulation and agency supplementary regulations. It will also permit greater OFPP involvement in the development and review of procurement legislation and related Administration initiatives.

Personnel Benefits (Object Classification 12.1), $265,000

This request is for OFPP's mandatory contributions to the Civil Service Retirement System, the Social Security Retirement and Medicare programs, the Federal Employee Life Insurance Program and the Federal Employees Health Program. It is the same amount as was spent in FY '89 adjusted to accomodate a staff of 37.

Travel and Transportation of Persons (Object Classification 21), $41,000

The increase in this request, $1,000 over FY '90, is necessary to cover a slight increase in transportation costs and to handle any travel by the members of the CASB and its staff. The request will also permit the Office to promote its procurement reform initiatives throughout the procurement community -- and to maintain the national visibility OFPP enjoys as the principal procurement policy organization of the Executive Branch.

Rental Payments to GSA (Object Classification 23.1), $324,000

The rental charge, which marks an increase of $15,000 over the FY '90 rate, is necessary to allow the Office to rent adequate space in the New Executive Office Building for additional staff. Of the $324,000 request, approximately $28,000 is for usage charges and the remainder is for rent.

Communications, Utilities and Other Rents (Object Classification 23.3), $71,000

This request includes payments of OFPP's pro rata share of the Executive Office of the President telephone switchboard, telephone service, after hour utilities and postage. The requested amount is approximately the same as for FY '90, adjusted for inflation and the addition of new staff.

Printing and Reproduction (Object Classification 24), $20,000

This request covers the cost of publishing in the *Federal Register*; work done by the Government Printing Office (GPO) and other reproduction work which cannot be handled by the Office of Administration's printing facility. The request also includes printing charges for Congressionally mandated reports such as the biannual Procurement Regulatory Activity Report.

Other Services (Object Classification 25), $62,000

This request, which marks a sizeable decrease, includes charges for computer time sharing, training and other related services.

Supplies and Materials (Object Classification 26), $50,000

This estimate is for the purchase of routine office supplies, periodical subscriptions, and additional work materials. It reflects the cost of supplies and materials associated with bringing new staff members on board.

Equipment (Object Classification 31), $47,000

This request covers the purchase of word processing and related equipment for new and current employees, and to permit greater integration of OFPP into the OMB information processing system. It marks an increase over the FY '90 estimate due to costs associated with adding new staff for the CASB, including the purchase of personal computers and ADP equipment for the Board and its staff. However, it is $86,000 less than what was spent in FY 1989.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF FEDERAL PROCUREMENT POLICY

Summary of Increases and Decreases from 1990 to 1991 (In thousands of dollars by object classification)

Fiscal Year 1990 Estimate		2,626
Increases:		
Personnel Compensation	+ 215	
Personnel Benefits	+ 50	
Travel	+ 1	
Rental Payments to GSA	+ 15	
Communications Utilities and Misc.	+ 1	
Supplies and Materials	+ 21	
Equipment	+ 7	
Total		+ 310
Decreases:		
Other Services	- 22	
		- 22
Fiscal Year 1991 Request		2,914

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF FEDERAL PROCUREMENT POLICY

Personnel Summary

	FY '89 Actual	FY '90 Estimate	FY '91 Request
Total number of full-time permanent positions	30	37	37
Total compensable workyears			
full-time equivalent	27	37	37
full-time equivalent of overtime and holiday hours	0	0	0
Average ES salary	$72,675	$79,500	$95,750
Average GS grade	12.5	13.6	13.7
Average GS salary	$45,647	$50,843	$52,368

THURSDAY, MARCH 22, 1990.

EXECUTIVE RESIDENCE AT THE WHITE HOUSE

WITNESSES

ROBERT G. STANTON, REGIONAL DIRECTOR, NATIONAL CAPITAL REGION, NATIONAL PARK SERVICE

MICHAEL SUMMERLIN, PROJECT MANAGER, WHITE HOUSE LIAISON, NATIONAL CAPITAL REGION, NATIONAL PARK SERVICE

MARYANNE MURILLO, BUDGET ANALYST, NATIONAL CAPITAL REGION, NATIONAL PARK SERVICE.

Mr. AKAKA. Welcome to this committee, and we look forward to your testimony. You may proceed in any manner you wish, be as brief as you wish, and we will proceed to ask a few questions after you are done.

INTRODUCTION OF WITNESSES

Mr. STANTON. Thank you very much, Mr. Chairman, Mr. Skeen and Mr. Gunnels. It certainly is my privilege to appear before you this morning. I am pleased to be accompanied by Maryanne Murillo, who is the Budget Analyst in our regional office; and Mr. Mike Summerlin, who is a Project Manager for the National Park Service, and the main liaison with the White House on the exterior restoration project.

This is my second opportunity, and indeed, a privilege to appear before this committee. I am pleased to report on the condition of the Executive Residence at the White House and to present, for your consideration, the fund requirements for the maintenance and operation of the Executive Residence for fiscal year 1991.

FISCAL YEAR 1991 BUDGETARY NEEDS

The appropriation for this account for fiscal year 1990 is $6,898,000 which, after adjustment for the Gramm-Rudmann-Hollings sequester, nets to a total budget authority of $6,815,000.

The fiscal year 1991 request is $7,293,000, which is $478,000 above the fiscal year 1990 budget authority. Included in the fiscal year 1991 request is a nonrecurring item of $500,000 for the renovation and remodeling of the Executive Residence kitchens, where all food served at official and ceremonial functions is prepared. The kitchens were last remodeled 20 years ago, and the current cooking and refrigeration equipment has far exceeded its life expectancy.

WATER AND SEWER CHARGES

Additionally, we are requesting $167,000 for costs associated with water and sewer usage charges, $279,000 for fiscal year 1990 and 1991 cost of living and personnel benefit increases, and $100,000 for the continuation of the furnishings restoration project begun last fiscal year.

CURATORIAL CONSERVATION PROJECT

In fiscal year 1990, the Congress appropriated $125,000 for us to begin a planned multi-phase curatorial conservation project. Due to this Congressional add-on, we were able to begin this project one year ahead of our planned schedule. Phase I, to be completed during fiscal year 1990, consists of conservation of those items having major structural damage and urgently requiring repair. In fiscal year 1991, we are requesting $100,000 to begin Phase II, consisting of completion of conservation of those items having significant structural damage, and initial conservation of those items having some structural damage and also requiring reconditioning and refurbishment.

OFFICIAL CEREMONIES AND FUNCTIONS

Funds are also requested for overtime and premium pay. The Executive Residence has experienced an increase in the number and timing of official ceremonies and functions, resulting in a corresponding increase in overtime and premium pay. Due to the increasing complexity of Presidential functions and world events, more events are being held in the White House, as opposed to other locations. The events themselves require increasing amounts of planning and preparation, including assembling supplies, materials and fixtures within the White House to stage the events.

PERSONNEL NEEDS

Also requested are two additional positions, a fire alarm specialist and a maid. The fire alarm specialist is needed to perform maintenance and inspection of the Executive Residence fire protection system. The maid's position is needed to perform required cleaning of the Ground and State Floors after daily tours. As you know, over one million visitors annually tour the White House, and the addition of the maid's position would lessen the heavy work load on the current staff, and allow for a more thorough cleaning routine.

This concludes our budget request, Mr. Chairman.

[The prepared statement of Robert G. Stanton follows:]

STATEMENT OF ROBERT G. STANTON, REGIONAL DIRECTOR, NATIONAL PARK SERVICE, BEFORE THE HOUSE COMMITTEE ON APPROPRIATIONS, SUBCOMMITTEE ON TREASURY POSTAL SERVICE, AND GENERAL GOVERNMENT ON THE 1991 BUDGET FOR THE EXECUTIVE RESIDENCE AT THE WHITE HOUSE.

MR. CHAIRMAN, AND MEMBERS OF THE COMMITTEE, I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU TO REPORT ON THE CONDITION OF THE EXECUTIVE RESIDENCE AT THE WHITE HOUSE AND TO PRESENT, FOR YOUR CONSIDERATION, THE FUND REQUIREMENTS FOR THE MAINTENANCE AND OPERATION OF THE EXECUTIVE RESIDENCE FOR FISCAL YEAR 1991.

THE APPROPRIATION FOR THIS ACCOUNT FOR FISCAL 1990 IS $6,898,000, WHICH AFTER ADJUSTMENT FOR THE G-R-H SEQUESTER, NETS TO A TOTAL BUDGET AUTHORITY OF $6,815,000.

THE FISCAL YEAR 1991 REQUEST IS $7,293,000 WHICH IS $478,000 ABOVE THE FISCAL 1990 BUDGET AUTHORITY. INCLUDED IN THE FY 1991 REQUEST IS A NON-RECURRING ITEM OF $500,000 FOR THE RENOVATION AND REMODELING OF THE EXECUTIVE RESIDENCE KITCHENS, WHERE ALL FOOD SERVED AT OFFICIAL AND CEREMONIAL FUNCTIONS IS PREPARED. THE KITCHENS WERE LAST REMODELED 20 YEARS AGO, AND THE CURRENT COOKING AND REFRIGERATION EQUIPMENT HAS FAR EXCEEDED ITS LIFE EXPECTANCY.

ADDITIONALLY, WE ARE REQUESTING $167,000 FOR COSTS ASSOCIATED WITH WATER AND SEWER USAGE CHARGES, $279,000 FOR FY 90 AND 91 COST OF LIVING AND PERSONNEL BENEFIT INCREASES, AND $100,000 FOR THE CONTINUATION OF THE FURNISHINGS RESTORATION PROJECT BEGUN LAST FISCAL YEAR.

IN FY 1990, THE CONGRESS APPROPRIATED $125,000 FOR US TO BEGIN A PLANNED MULTI-PHASE CURATORIAL CONSERVATION PROJECT. DUE TO THIS CONGRESSIONAL ADD-ON, WE WERE ABLE TO BEGIN THIS PROJECT ONE YEAR AHEAD OF OUR PLANNED SCHEDULE. PHASE I, TO BE COMPLETED DURING FY 1990, CONSISTS OF CONSERVATION OF THOSE ITEMS HAVING MAJOR STRUCTURAL DAMAGE AND URGENTLY REQUIRING REPAIR. IN FY 91 WE ARE REQUESTING $100,000 TO BEGIN PHASE II, CONSISTING OF COMPLETION OF CONSERVATION OF THOSE ITEMS HAVING SIGNIFICANT STRUCTURAL DAMAGE, AND INITIAL

CONSERVATION OF THOSE ITEMS HAVING SOME STRUCTURAL DAMAGE AND ALSO REQUIRING RECONDITIONING AND REFURBISHMENT.

FUNDS ARE ALSO REQUESTED FOR OVERTIME AND PREMIUM PAY. THE EXECUTIVE RESIDENCE HAS EXPERIENCED AN INCREASE IN THE NUMBER AND TIMING OF OFFICIAL CEREMONIES AND FUNCTIONS RESULTING IN A CORRESPONDING INCREASE IN OVERTIME AND PREMIUM PAY. DUE TO THE INCREASING COMPLEXITY OF PRESIDENTIAL FUNCTIONS AND WORLD EVENTS, MORE EVENTS ARE BEING HELD IN THE WHITE HOUSE, AS OPPOSED TO OTHER LOCATIONS. THE EVENTS THEMSELVES REQUIRE INCREASING AMOUNTS OF PLANNING AND PREPARATION, INCLUDING ASSEMBLING SUPPLIES, MATERIALS AND FIXTURES WITHIN THE WHITE HOUSE TO STAGE THE EVENTS.

ALSO REQUESTED ARE TWO ADDITIONAL POSITIONS, A FIRE ALARM SPECIALIST AND A MAID. THE FIRE ALARM SPECIALIST IS NEEDED TO PERFORM MAINTENANCE AND INSPECTION OF THE EXECUTIVE RESIDENCE FIRE PROTECTION SYSTEM. THE MAID'S POSITION IS NEEDED TO PERFORM REQUIRED CLEANING OF THE GROUND AND STATE FLOORS AFTER DAILY TOURS. AS YOU KNOW, OVER ONE MILLION VISITORS ANNUALLY TOUR THE WHITE HOUSE, AND THE ADDITION OF THE MAID POSITION WOULD LESSEN THE HEAVY WORKLOAD ON THE CURRENT STAFF, AND ALLOW FOR A MORE THOROUGH CLEANING ROUTINE.

THIS CONCLUDES OUR BUDGET REQUEST, MR. CHAIRMAN. I WOULD LIKE TO TAKE JUST A MINUTE, IF I MAY, TO REPORT ON THE STATUS OF THE EXTERIOR RESTORATION PROJECT.

WITH THE COMMITTEE'S PERMISSION, I WOULD LIKE TO SHOW YOU A CHART ILLUSTRATING THE PROGRESS MADE TO DATE ON THE EXTERIOR RESTORATION PROJECT. AS THIS CHART INDICATES, THE PAINT REMOVAL, STONE RESTORATION, DOCUMENTATION AND REPAINTING OF THE NORTH SIDE OF THE RESIDENCE IS COMPLETE. THE PAINT HAS BEEN REMOVED FROM THE TWO SURFACES ON EITHER SIDE OF THE SOUTH PORTICO AND THOSE AREAS ARE CURRENTLY UNDERGOING EXTENSIVE STONE RESTORATION. THIS SPRING, THE PAINT WILL BE REMOVED FROM THE SOUTH PORTICO AND THE EAST FACE OF

THE RESIDENCE, WITH STONE RESTORATION SCHEDULED TO BEGIN ON THESE AREAS NEXT FALL. THE PROJECT REMAINS ON SCHEDULE FOR COMPLETION IN TIME FOR THE 200TH ANNIVERSARY CELEBRATION OF THE LAYING OF THE WHITE HOUSE CORNERSTONE ON OCTOBER 13, 1992.

AS WE PREVIOUSLY REPORTED TO THE COMMITTEE, OUR INITIAL ESTIMATE FOR THE COST OF THE RESTORATION PROJECT WAS BASED ON THE VISUAL INSPECTION OF THE STONE PRIOR TO ANY REMOVAL OF THE 30-PLUS LAYERS OF PAINT. NOW THAT OVER HALF OF THE RESIDENCE STONE HAS BEEN EXPOSED, WE ARE ABLE TO PROVIDE A BETTER ESTIMATE OF THE ACTUAL COST OF THE TOTAL PROJECT AND COMPARE THIS TO THE INITIAL ESTIMATES. THE INITIAL PROJECT SPENDING AUTHORITY APPROVED IN FISCAL 1986 WAS $2,400,000. AS OF APRIL 1990, WE ESTIMATE THAT THE FUNDS EXPENDED OR OBLIGATED UNDER CONTRACT WILL AMOUNT TO $2,040,000, LEAVING A BALANCE OF $360,000.

MR. CHAIRMAN, I SHALL BE PLEASED TO ANSWER ANY QUESTIONS YOU AND THE OTHER MEMBERS OF THE COMMITTEE MAY HAVE ABOUT THE OPERATION OF THE EXECUTIVE RESIDENCE.

STATUS OF THE EXTERIOR RESTORATION PROJECT

Mr. **Stanton**. I would like to take just a minute, if I may, to report on the status of the exterior restoration project.

With the committee's permission, I would like to have Mr. Mike Summerlin, very briefly, with the aid of some visual illustrations, to give you an overview of the status of the restoration project, where we are at this hour, and where we hope to go in the next several months.

Mr. **Akaka**. You are certainly welcome to.

Mr. **Stanton**. Mike.

Mr. **Summerlin**. I would like to just bring the committee up to date as to where we are on the restoration project at this point. This has been a multi-phase project, where we are removing the paint from the White House down to the bare stone. We are documenting the stone facade as the paint is stripped off so that we can have records of the exact placement of the stone and graining of the stone, and then we are doing a lot of restoration work where we have got a lot of deteriorated stone, and then going back and repainting.

This project began in 1980, with the first phase of stripping the paint from the east facade. To begin second the phase, we moved around to the north elevation. This is the point that we now are at. The north elevation has just been completed, as of this month. The final painting of this facade here—the north elevation being the Pennsylvania Avenue side of the White House—this was just repainted during these past few weeks. And so, this portion of the White House is complete at this time.

EXTENT OF STONE DETERIORATION

Because of the fact that the number of layers of paint—the 32 or so layers of paint that have been on the White House—a lot of the deteriorated stone was not evident until we were able to remove all of the paint. Once the paint came off, we were able to tell exactly how much damage and how much deterioration had been done to the stone over a number of years.

I have a chart here that illustrates the amount of work that we had anticipated before the paint was removed, and this was through visual inspection of the facade. And then, once we removed the paint and got into the stone restoration project, it became evident that quite a bit more restoration work was required. This is the amount of stone that was actually replaced during this phase of the project.

As I say, this portion of the project has been completed. The portion of the project that we are working on at this point is the south elevation. The paint has been removed from this panel and this panel of the south elevation. And this spring, we plan to start on the removal of the paint at the south portico, which is the center portion, here. Again, before the paint was removed, we were able to identify these areas as being the amount of stone repair that would be required. After the paint was removed, it was determined that additional areas would need to be restored as well. So now we have a complete composite of all of the stone work that needs to be done on the south elevation.

FUTURE PHASES

The next portion of the project will be the east and west elevations, to remove the paint on the west elevation, do the stone repair work, and also go back to the east elevation and do some stone repair work. Whenever this paint was first removed, back in the 1980s, the extent of the stone repair was not as great as we had anticipated, so no work was done at that time. But now, what we would like to do is go back and do some stone repair on the east facade as well.

STONE REPAIR AND REPLACEMENT NEEDS

And in this particular case, we are not able to tell exactly how much stone repair is needed because the paint has not been removed. This was what was initially determined, and just in the past few weeks, we have gone back with cherry pickers so that our stone carver can get up and actually take a close visual inspection of the areas. And this is what we have determined needs to be restored as part of this next phase of the project.

I have some photographs that I would like to share with you just to show you how much damage some of the stone areas have now.

This is the cornice, this portion here, where you see the fine detail work, the carving. What had happened over the years was as this material disintegrated, it was replaced with pieces of metal which were lead metal, which simulated the stone that was there. But with the number of coats of paint on it, it was impossible to tell exactly which one of these had been replaced, and which ones were still the actual stone. So, until all of the paint came off, it was, again, impossible to tell how much work had actually been done.

Here is another detail here. I have some samples of that. This is the dentil work. Here you see the actual stone carving and then, again, what was used to repair it, back many years ago. And of course, that was painted over, but once that paint came off and we were able to determine the extent of the work, we can make the determination that then these will come off and all of this stone will be replaced with new stone.

Of course, here, you can see some major settlement cracks in the building, pieces of stone that have been replaced before with some tie-ins. At this point now, we would come back and replace all of that work with new stone. Some of the balustrades which disintegrated would be replaced. And here you can see one of the carvings of the capital, so we have got very intricate detail work to replace as well.

Mr. **Akaka**. Which one of these is the west section?

Mr. **Summerlin**. Okay. These photographs were taken from the west side, which is the side that is bare at this point.

FUNDING NEEDS

Mr. **Stanton**. Mr. Chairman, Mr. Skeen, as you know, the Congress appropriated in fiscal year 1988, $2.4 million to initiate this work, and as Mr. Summerlin pointed out, our estimates at that time were based principally on limited testing and some visual surveys. However, as we have proceeded with the restoration, as Mike had indicated, and then removed paint from more of the surface area, we have determined that the $2.4 million will not complete the job. Still, our target is to have the White House unveiled, if you will, in the observance of the bicentennial of the setting of the cornerstone, which is October, calendar year 1992. In order for us to meet that observance schedule of the last few months in 1992 through the balance of the 12 months into 1993, there certainly is a need for additional funding.

And we have estimated that to continue the work in fiscal year 1991, we would need an additional $1.2 million. Then, in fiscal year 1992, an additional $1.1 million. And that will keep us on schedule in terms of the rate of the work that the master stone carver and his technicians are able to accomplish at this time.

Mr. **SUMMERLIN**. If I may I would like to share with you some photographs of the work that has been completed on the north elevation. These photographs will just show you the vast improvement of the stone repair work. These photographs are part of our documentation process, and we are photographing each of the elevations.

You can see, here, the dentil work on the cornice, where it has been repaired; it is in a much improved state.

Mr. **SKEEN**. These are just for identification?

Mr. **SUMMERLIN**. Right; identification photography work.

Mr. **SKEEN**. Oh, I see.

Mr. **STANTON**. I think that it is very important to point out that the integrity of the work warrants that we actually restore the stones or recarve additional stones, as opposed to using any simulated material or any mechanical material devised to simulate the stone work. This is truly stone restoration in its truest sense.

Mr. **AKAKA**. These additional amounts that you are asking for for the years ahead, are those contained in this budget?

Mr. **STANTON**. No, sir, Mr. Chairman. As we pointed out earlier, we did not have these kinds of estimates at the time that the President's budget was being prepared and subsequently submitted to Congress. And therefore, it is not reflected in the fiscal year 1991 request.

We would anticipate, however, that for 1992, we will have opportunity to provide justification for consideration by the President and others of his administration a budget request for this work again, with the eye toward completing the project to observe the bicentennial of the setting of the corner stone.

Mr. **AKAKA**. Is that your presentation?

Mr. **STANTON**. Yes. We would be more than happy to answer questions about any of the other additional requests that we have made.

Mr. **AKAKA**. Thank you very much. The pictures are very impressive in telling us what needs to be done. There is no question that the restoration must be completed in an orderly manner.

Mr. **STANTON**. And Mr. Chairman, we stand ready—any day of the week, any hour—to give you and other Members a personal tour of the project, and certainly to interact with the master carver in terms of the particulars of the work that is being accomplished.

BUDGETARY INCREASES

Mr. **Akaka**. You had asked for a $478,000 increase, what would these additional amounts be used for?

Mr. **Stanton**. As we mentioned, sir, there are some increases for personnel, increases for water and sewerage. I might add about personnel, we had asked for a fire alarm specialist; and the basic salary for that position is $36,000 or $37,000.

Mr. **Akaka**. And also the maid.

Mr. **Stanton**. And for a maid; right.

Mr. **Akaka**. Now, my question is: Before you pick up this position, do you have any maids currently on board?

Mr. **Stanton**. Yes; we do have maids and we have one fire alarm specialist. Plus, there are a number of other specialists under the supervision of the Chief Usher. Currently, we have 95 employees that maintain or provide certain services for the Executive Residence. If we were fortunate in having the favorable consideration of the committee for the additional staff for fiscal year 1992, that would bring up a total strength of 97 employees.

Mr. **Akaka**. You gave us a good picture of what you are doing.

Mr. **Stanton**. Yes, sir.

PHYSICAL CONDITION OF THE WHITE HOUSE

Mr. **Akaka**. Let me ask you another question: How is the overall physical condition of the White House and the residence, how does that appear? Your presentation focused on the outside facade, correct.

Mr. **Stanton**. Yes.

Mr. **Akaka**. What about the interior?

Mr. **Stanton**. The interior, I am pleased to say, sir, is in good condition. We were fortunate last year to receive appropriations to replace some flooring. We also received an appropriation to do window work, both interior and exterior, consistent with the historic integrity of the Residence. This year, however, we are requesting sufficient funds to rehabilitate and even replace some of the appliances in the kitchen. That is a major operation, obviously, in terms of heads of state visits and other ceremonial activities.

VANDALISM AT THE VISITORS' GATE

Mr. **Akaka**. There was an incident of vandalism—or maybe there have been several—at the White House. The one I am referring to was the throwing of staining liquid on the visitors' gate at the White House.

Mr. **Stanton**. Yes.

Mr. **Akaka**. My question is, how did you rectify this? What have you done to address and prevent vandalism?

Mr. **Stanton**. Yes. We have a joint enforcement responsibility in that the U.S. Park Police is an organizational unit of my immediate office and obviously, we have the Secret Service, and other personnel in security positions. We coordinate and try to provide 24-hour surveillance in terms of the protection of the exterior as well as the interior resources.

When there is some damage through vandalism or graffiti or what have you, normally, the Park Service responds to removal of graffiti and this kind of thing, as well as replacement of the fences. We also share some responsibility for the physical resources with the Secret Service, the General Services Administration and the Department of Defense, in terms of some of the respective responsibilities within the confines of the 18 acres that we call the White House.

Mr. **Akaka**. Are there a lot of vandalism incidents?

Mr. **Stanton**. No, sir; and we are very pleased that that is the case. In terms of our relationship with the Secret Service, the National Park Service directly handles all the visitors up to the entrance station, and through the visitor contact station. Then they are under the supervision of the uniformed Secret Service. And normally, we, as well as the Secret Service, give the visitor an orientation to the White House, and give them some tips about not touching or taking in food and beverage items, and what have you. In other words, to respect the White House. And by and large, most of them adhere to that.

Mr. **Akaka**. Mr. Skeen.

Mr. **Skeen**. Thank you, Mr. Chairman. Mr. Stanton.

Mr. **Stanton**. Yes.

CALLIGRAPHY

Mr. **Skeen**. Let me begin by commending you on whoever does the calligraphy down there, on your name plates.

Mr. **Stanton**. Yes.

Mr. **Skeen**. Outstanding piece of work; that is great art.

Mr. **Stanton**. Thank you very much.

Mr. **Skeen**. And I think that it adds a real touch.

Mr. **Stanton**. Yes; thank you.

TOUR OF THE EXTERIOR RESTORATION PROJECT

Mr. **Skeen**. I also want to thank you for the opportunity to have had one of the tours.

Mr. **Stanton**. Oh, good.

Mr. **Skeen**. We went down there some months ago; I have forgotten now how long.

A **Voice**. About a year ago.

Mr. **Skeen**. About a year ago; and of course, one of the most interesting parts was the master carver himself. That is a talent that is very difficult to find these days. What is the name of that gentleman?

Mr. **Summerlin**. Vincent Palumbo.

Mr. **Skeen**. Palumbo; I should have known. Vincent Palumbo, who, I think, is responsible for the Washington Cathedral.

Mr. **Stanton**. That is correct; that is correct.

Mr. **Skeen**. And what a fascinating individual.

Mr. **Stanton**. Tremendous resource.

Mr. **Skeen**. What was even more fascinating was the historic perspective because, as they had stripped the paint—and I do not want to get into a long anecdote here—and you could see where the fire damage was from 1812 when they burned the White House. And then also, just to see the progression of technology in doing the restoration; it has been a long, arduous process, keeping that magnificent structure going.

Mr. **Stanton**. We appreciate those comments.

Mr. **Skeen**. Well, we think that you do an outstanding job, and we appreciate that.

RENOVATION OF THE KITCHEN AREA

You have asked for $500,000, and you mentioned the renovation of the kitchen area. Is it to redesign, totally, or just equipment?

Mr. **Stanton**. It is primarily equipment, sir.

Mr. **Skeen**. Primarily equipment?

Mr. **Stanton**. Yes, right. The equipment has been in use for roughly 20 years.

Mr. **Skeen**. I can understand that; kitchens take more wear, probably, than any place else.

Mr. **Stanton**. Oh, yes.

Mr. **Skeen**. It is a public area. I think that we saw all of the work that was in progress at that time. Have you just about had all the window work done?

EXTERIOR WINDOW REPLACEMENT

Mr. **Stanton**. No. We have some of the work underway; plus, we continue to work with the contractor to make sure that the specifications meet with our needs in terms of not only the historic integrity, but there are some security considerations relative to the replacement of windows.

Mr. **Skeen**. Let me ask you an odd question

Mr. **Stanton**. Yes?

Mr. **Skeen**. I noticed those windows; the glass evidently was fabricated, some of it, years and years ago. And when you have a replacement, is that a very difficult problem for you?

Mr. **Stanton**. It is difficult in that there are fairly stringent specifications, notwithstanding the gentleman who spoke about the Government contracting area, but there are some peculiarities relative to placement of windows.

Mr. **Skeen**. You can get glass these days with waves in it. [Laughter.]

Mr. **Stanton**. Right.

Mr. **Skeen**. But it would not really fit unless you did have somebody who could replicate that kind of glass.

Mr. **Stanton**. That is correct; it is not off the shelf; that is for sure.

Mr. **Skeen**. That is part of the charm, too: Looking out through the window there and seeing the distortions in the glass.

Mr. **Stanton**. Right.

Mr. **Summerlin**. One of the other aspects of that glass is the coloration of it. It actually has more of a yellow tinge than what you normally see today, with a green tinge. And that is because of the different chemical process that is used now rather than back, you know——

Mr. **Skeen** [continuing]. Historically.

Mr. **Summerlin**. So, our specification calls for replacement of that same tint, as well as the waviness in the glass.

Mr. SKEEN. I am not even sure that that adds a great deal to the expense.

Mr. STANTON. It does.

POLICY ON ACCEPTANCE OF GIFTS

Mr. SKEEN. We noticed, too, that some of the Oriental rugs and carpeting in the place were in pretty bad repair. I know that the floors take a tremendous beating, the wooden floors. And we were told how many times they have been sanded off and so forth. I think the upkeep is very good.

What is the policy on acceptance of gifts, such as carpeting or things of that kind for the White House from foreign nations and from just individuals?

Mr. STANTON. Yes. Obviously, the President, as a head of state, can accept gifts on behalf of the people. And normally, when a head of state from a different country or any private citizen in the United States may wish to donate to the Government to be displayed or utilized in the White House, the President can accept it, again, on the behalf of the American people.

In terms of other donations, such as historic furnishings, art work, and what have you, there are principally two organizations that have been established for that purpose. The one recently charted by Secretary Lujan is called the Committee for Preservation of the White House; it is authorized to accept furnishings and what have you, as well as to raise funds in furthering the furnishing objectives of the White House. The White House Historical Association can accept gifts, but its primary purpose is to assist the National Park Service and others in furthering the educational interpretative program relative to the White House and all of its occupants up to and including President Bush. So, there is a vast authority to accept gifts.

Mr. SKEEN. It is very flexible and open, then?

Mr. STANTON. Well, it is flexible in that you accept a gift that is in keeping with the purpose of the White House; you do not accept a modern piece of furniture.

Mr. SKEEN. I understand; you tell them, "Thanks, but no thanks."

Mr. STANTON. That is right.

Mr. SKEEN. Very politely.

Mr. STANTON. Very politely.

Mr. SKEEN. You give them some nice calligraphy. [Laughter.]

Mr. STANTON. Yes, sir.

FUTURE NEEDS

Mr. SKEEN. My final question is: This is a major renovation that you have undertaken, and I think that you are doing it exactly right. You have gone back to the original stone because, as your stone mason, Mr. Palumbo explained to us over there, nothing expands or contracts like the original materials, and they all work in concert.

Mr. STANTON. That is right.

Mr. SKEEN. A lot of folks do not realize that buildings and monuments are not static entities on this earth; they are moving all the time, wearing, moving, breathing, and so forth. And he made that, I think, very clear to us, just how much expansion occurs, including in the mortar and the joints over there, they had come up with a new type of mortar that they put in some of the renovation years back that had no elasticity whatever, so it caused more cracking.

Mr. **Stanton**. That is right.

Mr. **Skeen**. So, once you get past this stage here, and the money that we put into the thing, what do you anticipate in the future? I know that the work does not stop here; it goes on forever.

Mr. **Stanton**. Yes.

Mr. **Skeen**. But probably not to the same degree. I think that with the work you have done now, you probably will save money in the future. Has that been the idea?

Mr. **Stanton**. That is the idea. And obviously, some areas may need some additional painting in the completion of the job. At that point, the National Park Service, through our White House Liaison Office—who has certain members on his staff in masonry, carpentry and what have you—will have what we call a Recurring Preservation Program, as well as a Site Program. We will monitor any deterioration of the exterior and what have you. And my immediate office will budget for those kinds of upkeep. But, I think that once we make that substantial investment, we want to make sure that we keep an eye on it; we might even want to database it, as we do with the Jefferson and Lincoln Memorials.

Mr. **Skeen**. I certainly appreciate your responses, and I think that you are doing an outstanding job. Thank you, Mr. Chairman.

Mr. **Stanton**. We certainly appreciate that, Congressman Skeen.

Mr. **Akaka**. Mr. Stanton.

Mr. **Stanton**. Yes, sir.

RECEIVING AND HANDLING OF GIFTS

Mr. **Akaka**. Continuing with the gifts, is there a program that you have for gift receiving and handling of gifts? Do you also accept cash? Are the gifts that come in for the Executive Residence tax-exempt? And finally, I want to ask you to provide for the record, a more detailed report on this program.

Mr. **Stanton**. We certainly will.

[The information follows.]

Gifts from foreign officials to the President are considered to be gifts to the U.S. Government. In most instances, these gifts become part of a Presidential Libary Collection. Donations of funds or objects to the White House are usually made through the White House Historical Association, and the official acceptance on behalf of the government is made by the Director of the National Park Service. The President cannot accept these gifts directly. The White House Historical Association, as you may know, is a chartered, not for profit, organization whose prime function is to publish educational and historical information relating to the White House. The Association recently created a subsidiary organization, the White House Endowment Fund, and the Fund is in the process of raising $25 million to establish a permanent trust. The income from the trust will be used to acquire objects for the White House Fine and Decorative Arts Collection.

Mr. **Stanton**. I might add further, Mr. Chairman, that in terms of gifts, the National Park Service is authorized to accept all kinds of gifts in keeping with its basic mission. In addition, we accept personal services through our Volunteer in the Parks Program. The White House, as you well know, is a unit of the National Park

System. So if an organization—private, public—or an individual were to donate to the Park Service for the purpose of preserving or interpreting the White House as a unit of the National Park Service, we are authorized to do that as well.

OFFICIAL ENTERTAINMENT EXPENSES

Mr. Akaka. Yes. What was the actual cost in 1989 for official entertainment expenses of the President, and what are the estimates for 1990 and 1991? If you do not have that, just provide it for us later.

Mr. Stanton. We will furnish that for the record, along with guidelines in terms of the ceremonial and other functions that are held at the White House, sir.

[The information follows:]

The official entertainment expenses of the President are contained in a separate account from the budget for the Executive Residence. That account is maintained by the White House Office. Funds appropriated for official and ceremonial functions of the Presidency held at the White House are part of this budget authority (ER), included in supplies and materials as well as personnel expenses.

GUIDELINES FOR OFFICIAL AND CEREMONIAL FUNCTIONS

Official and ceremonial functions of the Presidency include receptions, dinners and other events for official guests of the White House, who are entertained at public expense. Official guests include foreign dignitaries, members of Congress, representatives of labor and the business sector, judges, recipients of awards, national organizations, and others. Typical expenses include food, beverages, labor costs, music (other than military), decorations, etc. Specifically *excluded* are the following:

1. The First Family's personal guests: these charges appear on the First Family's personal bill.
2. Entertainment in honor of visiting Heads of State: these charges are reimbursed by the State Department.
3. Political functions: appropriated funds may not be used for anything deemed "political;" consequently, such functions are usually paid for by the party's National Committee.
4. Other reimbursements: at the discretion of the Social Secretary and/or senior staff, the charges for some functions, including those involving other government agencies, may be reimbursed by the sponsoring group.
5. Calligraphers' Charges: the current practice is for the Executive Office of the President (not the Executive Residence) to pay for invitations, menus, programs and other printed material. If, however, an entertainment function is paid for by another organization as outlined above, then the Executive Office of the President is also reimbursed for the cost of calligraphy.

NATIONAL PARK SERVICE'S WORK IN HAWAII

Mr. Akaka. All right. Also, I want to commend you and the Service on your work in Hawaii.

Mr. Stanton. Oh, thank you kindly.

Mr. Akaka. They do a tremendous job. If I were to cite anything in particular, it would be your assistance in eradicating the cutivation of marijuana in Hawaii. Specifically, the cooperation that came about between Federal, local and State agencies in what we call the Green Harvest Program.

Mr. Stanton. Yes; I am aware of that program.

Mr. Akaka. I understand that your people helped train the local and State people.

Mr. Stanton. Yes; that is correct.

Mr. Akaka. And from what I hear from our people out there, they think that your people are great.

Mr. **Stanton**. Well, we certainly appreciate that.

Mr. **Akaka**. So, I thought that I would pass that on.

Mr. **Stanton**. I had the opportunity to tour your lovely State, I believe about four years ago, with Stan Albright, who is our Regional Director; and Brian O'Hara, who is the State Director there in Honolulu. I appreciate that very much.

WHITE HOUSE VISITATION

Mr. **Akaka**. Also for the record, will you provide for us the number of visitors at the White House in 1989, and what is projected for 1990 and 1991?

Mr. **Stanton**. We certainly will; we certainly will, as well as the hours for which the visitation program is available.

[The information follows:]

The White House is open to the public from 10:00 a.m. to 12:00 noon Tuesdays through Saturdays. During calendar year 1989, the White House received a total of 1,060,548 visitors. For 1990 and 1991, we anticipate a slight increase in visitation due to the interest generated by the bicentennial of the White House.

Mr. **Akaka**. And finally, let me ask you some which need as short answers as possible. Are all positions funded for the executive residence career positions?

Mr. **Stanton**. They are career positions, but they are what we call excepted positions, in that they serve at the pleasure of the President.

Mr. **Akaka**. I see. Are there any further questions?

Mr. **Skeen**. No further questions, Mr. Chairman.

Mr. **Akaka**. Well, I wanted to end by praising you and your people for you work in Hawaii. I would also say that throughout the country, you have a fine Service which helps us in our number one industry.

Mr. **Stanton**. Fine. I appreciate that; tourism, right?

Mr. **Akaka**. Yes; correct.

WHITE HOUSE HISTORICAL ASSOCIATION

Mr. **Stanton**. Mr. Chairman, if I may, on behalf of Dr. Melvin Payne and the White House Historical Association, I would like to present to you an expression of our appreciation for your continued fine support. And I have asked Maryanne to share with you what they are, and then present them to you, on behalf of Dr. Payne.

Ms. **Murillo**. What these are, Mr. Chairman, are Christmas ornaments that are put out by the White House Historical Association, and they are available for sale to the public. This one is in celebration of the bicentennial of the American Presidency. We have brought some for you and your staff and other members of the committee.

Mr. **Skeen**. We thank you. We will cherish them.

Ms. **Murillo**. Yes, they are historical.

Mr. **Akaka**. Thank you.

Ms. **Murillo**. And also, we have some cards that were prepared by the Calligrapher's Office at the Executive Residence for you and members of the committee and staff. Mr. Skeen will like those.

Mr. **Skeen**. Oh, yes; we save all of these little memorabilia.

Mr. **Akaka**. Thank you; you come "bearing gifts," as they say. [Laughter.]

Any further questions?

Mr. **Skeen**. No further questions, Mr. Chairman.

Mr. **Akaka**. Well, thank you very much for your presentation.

Mr. **Stanton**. Thank you very much; thank you for your support.

Mr. **Akaka**. It has been helpful.

[The justifications follow:]

EXECUTIVE RESIDENCE AT THE WHITE HOUSE
FY 1991 Appropriation Summary Statement

This budget provides for the care, maintenance, repair, alteration, refurnishing, improvement, air conditioning, heating, and lighting (including electric power and fixtures) of the Executive Residence at the White House and official and ceremonial function of the President to be expended and accounted for as provided by 3 U.S.C. 105, 109-110, 112-114.

The Fiscal Year 1990 appropriation for this account is $6,898,000 as provided in Public Law 101-136. The Fiscal Year 1991 budget provides for $500,000 to remain available until expended for the rehabilitation of the White House kitchens. A request of $6,793,000 for normal operating expenses with the one-time request of $500,000, brings the FY 1991 budget request to $7,293,000.

EXECUTIVE RESIDENCE AT THE WHITE HOUSE

Justification for Appropriation, Fiscal 1991

(in thousands of dollars)

Activity: Operating Expenses	1989 ACTUAL	1990 POST-SEQUESTER ESTIMATE	1991 ESTIMATE	INCREASE DECREASE
Operating Expenses	5,698	5,900	6,693	+793
Exterior Window Restoration		790	0	-790
Refurbishment of Furniture		125	100	-25
Rehabilitation of Kitchens			500	+500
Full-time Permanent Positions	(94)	(95)	(97)	(+2)

Authorization: 3 U.S. Code 105, 109-110, 112-114

Objective: To provide for the care, maintenance, repair, alteration, refurnishing, improvement, air conditioning, heating and lighting (including electric power and fixtures), of the Executive Residence at the White House, and Official and Ceremonial functions of the President.

Authorization: 3 U.S.C. 105, 109 - 110, 112 - 114

Program: The Executive Residence staff provides for the operation of the Executive Residence. A staff of 39 domestic employees accomplishes general housekeeping, prepares and serves meals, greets visitors, and provides services as required in support of official and ceremonial functions. A staff of 33 tradespersons, including plumbers, carpenters, painters, on a single shift; electricians on a double shift; and operating engineers on a 24-hour basis, maintains and makes repairs, minor modifications, and improvements to the 132 rooms and the mechanical systems and provides support for official and ceremonial functions.

A staff of 14 specialized employees provides services necessary to the operation of the White House and official and ceremonial functions. This staff includes 4 florists, 5 curators and 5 calligraphers.

An administrative staff consists of the Chief Usher, 3 Assistant Ushers, 1 Executive Grounds Superintendent, 2 Administrative Assistants, and 1 Accountant. The staff is charged with management and administrative functions of the Executive Residence. This requires coordination with the Executive Office of the President, the National Park Service, the Military, the United States Secret Service, the General Services Administration and other agencies.

The equivalent of 4 full-time workyears of extra staff above the ceiling for full-time permanent positions are hired under personal services contract agreements ("Services by Agreement") to provide additional help as required for official and ceremonial functions.

Current Accomplishments:

The White House is maintained as a home for the President and his family, as a public museum, and to serve as a facility for official and ceremonial functions.

The White House is open for public tours Tuesday through Saturday in addition to some national holidays, the evening Candlelight Tours at Christmas, the Easter Egg Roll, and spring and fall Garden Tours. During 1989, an average of 4,175 visitors toured the White House each day for 254 days. A total of 20,757 people participated in the 1989 Easter Egg Roll on March 27, 1989.

Budget Considerations:

1. The kitchens in the Executive Residence require extensive remodeling to bring them up to current standards. Presently, meals for all Official Ceremonies and Functions are prepared in kitchens designed in the 1950's. The kitchens have, over the years, been repaired and equipment has been replaced on a piecemeal basis. The kitchens are due for a complete remodeling to bring them up to current standards and to take advantage of the technology available today . . . . +500,000

2. An additional permanent position, Fire Alarm Specialist, is needed to perform maintenance and inspection of the Executive Residence Fire Protection System. Prior to 1986, the Fire Alarm Specialist assigned to the Executive Residence from the Uniformed Division of the Secret Service performed this function; however, this individual retired in 1986 and has not since been replaced . . . . +36,800

3. An additional permanent maid's position is needed to perform required cleaning of the Ground and State Floors after daily tours. Currently one maid and three housemen are available to perform required cleaning of the Ground and State Floors after daily tours. Over one million visitors annually tour the White House and the rooms must be set-up before tours and completely cleaned afterward. The addition of the maid position will lessen the heavy workload of the current staff and allow for a more thorough cleaning routine . . . . . . +29,800

4. Funding is required for regular personnel step increases and merit pay raises based on job performance and personnel evaluations 105,400

5. An increase in the number and timing of Official Ceremonies and Functions held at the White House has resulted in a corresponding increase in overtime and premium pay. Due to the increasing complexity of Presidential functions, as well as the recent emphasis on security for both the President and for visiting dignitaries, more events are being held in the White House, as opposed to other locations. The events require

Budget Considerations: (cont'd)

increasing amounts of planning and preparation, including assembling supplies, materials and fixtures within the White House to stage the events . . . . +215,000

6. A recent curatorial conservation survey has revealed that a number of items within the Executive Residence urgently need conservation work. To provide the appropriate level of care for all furniture items in the White House collection, a multi-phase conservation project needs to be undertaken. Phase II of this project, requested in FY 91, would consist of conservation of those items currently having major structural damage and urgently requiring repair. If treatment of these items is deferred, items will deteriorate beyond conservation, and estimated costs will increase . . +100,000

7. Increased funding is needed to cover the increases in the rate of pay for Service by Agreement employees . . . . +24,000

8. Personal benefit costs have risen due to the increased costs associated with the Federal Employees Retirement System (FERS), as well as recent increases in the government's share of employee health insurance . . . . +27,000

9. Certain supply items are in need of replenishment including stemware for official functions, domestic staff uniforms, replacement bed and bath linens, and domestic and shop supplies . . . . +71,000

10. Anticipated utility increases cannot be absorbed . . . . . +15,000

11. The annualized cost of the FY 1990 pay increase cannot be absorbed without a severe impact on other Executive Residence programs . . . . +178,000

12. Consistent with administration policy, funding of 50 percent of the FY 1991 pay increase is also requested . . . . +74,000

13. Restoration of the FY 90 sequester is also requested . . . +73,000

14. Prior to FY 1990, the District of Columbia Government was paid for water and sewer services through a line item in the Federal Payment to the District of Columbia appropriation. Recent legislation (P.L. 101-168) requires that, as of January 2, 1990, individual federal establishments assume responsibility for these water and sewer payments. Funds are requested for the cost of these water and sewer payments 167,000

15. Travel costs are expected to increase slightly . . . . +1,000

OFFSET
CAMERA COPY

Budget Considerations: (cont'd)

The cost of these increases will be partially offset by the following reductions:

16. Funds provided for the Executive Residence window replacement project will not recur in the FY 91 appropriation	-790,000
17. Funds provided as an add-on to the FY 1990 appropriation for furniture restoration are non-recurring	-125,000
18. Funding for the FY 90 floor replacement project will not be required in FY 91	-125,000
19. Funding for the portable stages and press platforms provided in FY 90 will not be required in FY 91	-60,000
20. Funds provided for the acquisition of new computer equipment in FY 90 will not be needed in FY 91	-39,000
Total	+478,000

EXECUTIVE RESIDENCE AT THE WHITE HOUSE

Analysis of Activities
(Dollars in thousands)

	FY 1989 Amount	FY 1990 Amount	FY 1991 Amount	INCREASE (+) OR DECREASE (-) 1991 COMPARED WITH 1990
Operating Expenses	5,698	6,098	6,793	+ 695
Construction	0	800	500	- 300
Total	5,698	6,898	7,293	+ 395
Reduction pursuant to P.L. 99-177		- 83		- 83
Budget authority (adjusted)	5,698	6,815	7.293	+ 478

SF 300
1/2/90

EXECUTIVE RESIDENCE AT THE WHITE HOUSE
TOTAL PROGRAM
SALARIES AND EXPENSES & MULTI-YEAR CONSTRUCTION

IDENTIFICATION CODE 11-0210-0-1-802	1989 actual	1990 estimate	1991 estimate
Program by activities:			
00.01 Direct Program:	5,696	6,795	7,693
01.01 Reimbursable Program:	1,104	1,450	1,544
10.00 Total Obligations	6,800	8,245	9,237
Financing:			
Offsetting collections from:			
11.00 Federal Funds	-730	-618	-1004
14.00 Non-Federal sources	-374	-853	540
21.00 Unobligated balance available start of year	-635	-635	-655
24.40 Unobligated balance available, end of year	635	655	255
25.00 Unobligated Balance lapsing	2	0	0
27.00 Reduc. pursuant to P.L. 99-177		21	
39.00 Budget authority	5,698	6,815	7,293
40.00 Budget Authority (Appropriation)	5,698	6,898	7,293
40.00 Reduc. pursuant to P.L. 99-177		-83	
43.00 Budget authority (adjusted)	5,698	6,815	7,293
Relation of obligations to outlays:			
71.00 Obligations incurred, net	5,696	6,774	7,693
72.40 Obligations balance, start of year	1,670	1,095	1,227
74.40 Obligated balance, end of year	-1095	-1227	1060
77.00 Adjustments in expired accounts	-4		
90.00 Total Outlays	6,266	6,644	7,860

SF 300
1/2/90

EXECUTIVE RESIDENCE AT THE WHITE HOUSE
TOTAL PROGRAM
SALARIES AND EXPENSES & MULTI-YEAR CONSTRUCTION

IDENTIFICATION CODE 11-0210-0-1-802		1989 actual	1990 estimate	1991 estimate
Direct Obligations:				
	Personnel Compensation:			
11.1	Full-time permanent	3,014	3,249	3,595
11.5	Other personnel compensation	725	717	990
11.9	Total Personnel Compensation	3,739	3,966	4,585
	Other: 2			
12.1	Personnel benefits: civilian	517	548	605
21.0	Travel & Transportation of persons	10	7	8
22.0	Travel & Transportation of things	0		
23.2	Communications, utilities, rent	189	278	460
24.0	Printing and reproduction	4		
25.0	Other Services	443	1,266	1,325
26.0	Supplies and materials	710	609	603
31.0	Equipment	84	121	107
99.0	Subtotal, direct obligations	5,696	6,795	7,693
Reimbursable Obligations				
11.5	Other personnel compensation	135	128	134
23.2	Communications, utilities, rent	289	419	439
24.0	Printing and reproduction	43	74	80
25.0	Other Services	170	278	295
26.0	Supplies and materials	460	551	596
31.0	Equipment	7		
99.0	Subtotal, reimbursable obligations	1,104	1,450	1,544
99.9	Total Obligations	6,800	8,245	9,237
Total number of full-time permanent positions		94	95	97
Total compensable workyears		90	95	97
Full-time equivalent workyears				
Full-time equivalent of overtime and holiday hours		16	16	16
Reimbursable				
Full-time equivalent employment				
Full time equivalent of overtime		3	3	3

THURSDAY, MARCH 29, 1990.

OFFICE OF POLICY DEVELOPMENT

WITNESSES

ROGER B. PORTER, ASSISTANT TO THE PRESIDENT FOR ECONOMIC AND DOMESTIC POLICY

DAVID R. ALEXANDER, DIRECTOR FOR ADMINISTRATION, OFFICE OF POLICY DEVELOPMENT

Mr. ROYBAL. The committee will now hear from the Office of Policy Development. Will you please proceed, Mr. Porter?

OPENING STATEMENT

Mr. PORTER. Mr. Chairman, thank you very much. I am very pleased to appear before your committee once again to present the budget request for our office. Last year Dr. William Roper, the previous director and my deputy appeared before you. He has moved on earlier this month to become the Director of the Centers for Disease Control in Atlanta. I want to take this opportunity to acknowledge both his many contributions during the past year and to wish him well in his new assignment. I also want to thank you for your graciousness and courtesy and the support that you and your committee gave Dr. Roper, and that you have given our office during this past year and over the years.

I last appeared before you to discuss the fiscal year 1986 budget, when I had a similar position during the Reagan administration. Since then, the world has gone through a number of dramatic changes. It is almost unbelievable to see what has happened in recent months. It is good to be back and to be a part of these events.

Economic and domestic policy issues, for which our office has responsibility, have become even more important to the future of our nation. We address a broad range of economic issues and seek to strengthen the leadership role that the United States is playing around the world.

The budget that we are asking for, we believe, will enable us to continue to play a strong role and to provide the kind of staffing capacity and flexibility that is needed by the President. As you know, our office has responsibility for advising the President on a full range of economic and domestic policy issues. Our office is organized around major policy areas.

ORGANIZATION

We have associate directors dealing with domestic economic policy; international economic policy; energy, the environment, and natural resources; legal policy; health and human resources; and education and transportation. We take the economic and domestic portion of the Executive Branch and have organized our associate directors and the people that work with them in these major areas.

In addition, we have a Deputy Assistant to the President for policy planning who, with a very small staff, is responsible for looking out over the horizon, trying to anticipate issues in the future, and providing a longer term perspective on the issues that we are addressing. We work very closely with the National Security Council in areas where economic and foreign policy intersect with one another. We also work very closely with the Council of Economic Advisers, and with the Office of National Drug Control Policy, to ensure that their work and these considerations are integrated in our policy deliberations.

We also assist the President's Education Policy Advisory Committee, which he created last June, and the President's Low Income Opportunity Board. We work closely with the members and support the operation of the Domestic Policy Council and the Economic Policy Council.

As you may be aware, when President Bush came into office he organized three channels of advice to him on policy issues. One is the National Security Council. The other two are the Economic Policy Council and the Domestic Policy Council. Each member of the cabinet is a member of one or more of these policy councils.

The President chairs the Economic Policy Council and the Domestic Policy Council. When he is not there, there is a chairman pro tempore for each of them. The Secretary of the Treasury is the chairman pro tempore for the Economic Policy Council. The Attorney General is the chairman pro tempore for the Domestic Policy Council. These councils meet at the cabinet level, and then meet with the President. And our office and the Office of Cabinet Affairs, whom our budget also supports, provide the staff support for these councils. So in that sense, we have a very analogous organization and function to the National Security Council which provides support for the national security process.

BUDGET REQUEST

Our budget request of $3,395,000 provides for the salaries and other expenses necessary to conduct this operation. Our budget supports all of the functions for the Office of Policy Development; the Office of Policy Planning, which I have referred to; and the Office of Cabinet Affairs, including the Domestic Policy Council and the Economic Policy Council.

Our personnel request for the coming fiscal year is 42 permanent staff positions—the same number that were authorized for this current year. In general, our staff positions are used to perform the functions of formulating, evaluating and coordinating economic and domestic policy and assisting these two cabinet councils.

We also provide, within our budget, support for the Education Policy Advisory Committee and the President's Low Income Opportunity Board. The primary cost for the advisory committee is necessary travel expenses for members to attend our board meetings. None of the members of the board receive any compensation whatsoever.

STAFF QUALITY AND PRODUCTIVITY

We are dedicated to providing the President with the best advice possible to ensure that his decisions are implemented as effectively as possible. I have had the privilege of serving in three White Houses now—the Ford White House, the Reagan White House, and now the Bush White House. I have had the opportunity over the years to see the volume of work that is processed within these offices and the number of individuals involved.

In my academic capacity when I have not been in government, I have stayed very close, watched, and written about the way in which this operation was formed back in the early 1970s and how it has existed since then. I can say to you on the basis of my own experience that the amount of work and effort and energy that is performed by this office relative to the number of positions that we have is one of the best values that I am aware of.

Let me just mention one other aside. We had someone who has helped work in our office on a temporary basis who had worked for many, many years in the White House correspondence unit and has had the opportunity to work in various White Houses, various administrations, various places. I was chatting with her the other day and asking her for some of the comparisons that she would make. And she said, "I have never seen a people who put in more work and produce more, given the number of resources, than in the Office of Policy Development."

I am very proud and pleased of the people who have joined our staff, of their work and effort, and for the support that you and your committee have given to this operation over the years. I think it is playing an important and crucial role in helping to pull together and coordinate the activities of a broad array of economic and domestic policy offices and departments, and it is providing the President with the kind of advice and counsel and coordination that can help him to fulfill his role.

Thank you very much.

[The information follows:]

Statement of

Roger B. Porter

Assistant to the President for Economic and Domestic Policy

For the Subcommittee on Treasury, Postal Service,
and General Government, Committee on Appropriations

U.S. HOUSE OF REPRESENTATIVES

Mr. Chairman and Members of the Committee,

I am pleased to appear before your committee once again to present the budget request for the White House Office of Policy Development. The witness who appeared last year, Doctor William L. Roper, the previous Director and my Deputy, moved on earlier this month to be the Director of the Centers for Disease Control in Atlanta. I would like to take this opportunity to acknowledge the many contributions Dr. Roper made during the past year. We wish him well in his new assignment. I also want to thank you for the courtesies and support that you and your committee gave Dr. Roper and which you have given to the Office of Policy Development over the years.

Since I last appeared before you in 1986, the world has gone through -- and is still in the midst of -- extraordinary changes. Economic and domestic policy issues have become even more important as we look to the future of our Nation. We are addressing a broad range of economic issues and seeking to strengthen the leadership role the United States plays in international affairs. We are asking for a budget that will continue a strong policy development capability and provide the necessary flexibility to make appropriate adjustments in our staff and organization as policy needs change.

Our office has responsibility for advising the President on the full range of economic and domestic policy issues. The staff of the Office of Policy Development is organized around major policy areas. We have Associate Directors for: domestic economic policy; international economic policy; energy, environment, and natural resources policy; legal policy; health and social services policy; and education and transportation policy. In addition, a Deputy Assistant to the President for Policy Planning is responsible for "looking over the horizon," anticipating issues in the future, and providing a longer-range perspective on the issues we are addressing.

We work closely with the National Security Council in areas where economic and domestic policy intersect with international considerations. We also work closely with the Council of Economic Advisers, and with the Office of National Drug Control Policy to insure that drug policy considerations are integrated with other policy deliberations.

The Office of Policy Development also works closely with other interagency policy development activities within the Executive Office of the President. We assist the President's Education Policy Advisory Committee and the President's Low Income Opportunity Board. We work closely with the members and support the operation of the Domestic Policy Council and Economic Policy

Council in bringing policy matters to the President. The Economic Policy Council provides advice on all aspects of national and international economic policy. The Domestic Policy Council provides advice on domestic and social policy. The President is the chairman of both councils, and the members are the Secretaries and Administrators of the Executive Departments and Agencies.

Our budget request of $3,395,000 provides for the salaries and other expenses necessary to provide an effective domestic policy staff for the President. The budget supports all of the functions of the Office of Policy Development, the Office of Policy Planning, and the Office of Cabinet Affairs, including the Domestic Policy Council and the Economic Policy Council.

Our personnel request for Fiscal Year 1991 is 42 permanent staff positions, the same number authorized for the current year. In general, the staff positions of the Office of Policy Development are used to perform the formulation, evaluation and coordination functions necessary to guide economic and domestic policy and to assist the two cabinet councils.

The appropriation for the Office of Policy Development also supports the President's Education Policy Advisory Committee (PEPAC) and the President's Low Income Opportunity Board. The primary cost for the PEPAC is the necessary travel expenses for the members to attend the Board's meetings.

Fiscal Year 1991 Budget Request

Our budget request for Fiscal Year 1991 is $3,395,000. This is an increase of $320,000 above the Fiscal Year 1990 budget estimate of $3,075,000. Over 80 percent (+$270,000) of the increase reflects payroll costs, or salaries and benefits for the full funding for the 44 authorized payroll positions. The remaining $50,000 increase reflects minor changes in rental charges for office space in the Old Executive Office Building, telephone and other utilities, and continuing office automation.

We are dedicated to providing the President with the best advice possible and to insuring that his decisions are implemented as effectively as possible. We want to continue to work closely with you, the Congress, to insure that your views are included in the process of developing policy. We believe that our budget request is appropriate to support this mission.

I thank you for the opportunity to meet with you and I want to thank you again for your interest and support.

We will be pleased to answer any questions you may have.

Roger B. Porter

Roger B. Porter is the Assistant to the President for Economic and Domestic Policy.

Mr. Porter was IBM Professor of Government and Business at Harvard University and Faculty Chairman of the Program for Senior Managers in Government. His teaching and research focused on the relationship between business and government, the management of the Federal policy development, the Presidency, and the formulation of domestic and international economic policy.

Mr. Porter served as Deputy Assistant to the President and Director of the White House Office of Policy Development. He also served as Executive Secretary of the Economic Policy Council and as Counselor to the Secretary of the Treasury. He was Executive Secretary of the Cabinet Council on Economic Affairs from 1981 to 1985.

Mr. Porter received his B.A. degree from Brigham Young University and was selected as a Rhodes Scholar and Woodrow Wilson Fellow, receiving his B.Phil degree from Oxford University. He received his M.A. and Ph.D. degrees from Harvard University.

Mr. Porter was Assistant Dean and Tutor in Politics at the Queens College, Oxford, from 1971 to 1972. He served as Associate Director of the Utah Local Government Modernization Study in 1972 and has been actively involved in state constitutional revision efforts. He has taught government and economics at Harvard and Oxford University.

Mr. Porter was a White House Fellow from 1974 to 1975, joining the White House staff in August 1974. He was appointed Special Assistant to the President and served as the Executive Secretary of the President's Economic Policy Board from 1974 to 1977. He also served as secretary to the presidential transition team in August 1974.

Mr. Porter has been on the faculty of the School of Government and the Graduate School of Business at Harvard since 1977. He was appointed a member of the President's Commission on White House Fellowships by Gerald R. Ford in 1976, and reappointed by Ronald Reagan in 1982. He is a member of Phi Kappa Phi, Pi Sigma Alpha, Phi Eta Sigma, and Phi Alpha Theta. He is the author of two books, Presidential Decision Making and The U.S. - U.S.S.R. Grain Agreement, and numerous articles.

He was selected as one of the Ten Outstanding Young Men in America for 1981 by the United States Jaycees. He and his wife Ann and their three children live in McLean, Virginia.

March 1990

David R. Alexander

Mr. Alexander is the Director of Administration for the Office of Policy Development.

From 1987 to 1988 he was the Associate Director for the White House Conference for a Drug Free America. In that capacity he was responsible for administration of the Conference which included 50 staff. He also was responsible for the logistical support to the regional and national Conferences.

Mr. Alexander served at the Environmental Protection Agency from 1971 until 1987. He held a number of positions including Director of SES and Executive Resources 1984 to 1987, Special Assistant for Long Range Planning 1983, Director of Facilities and Support Services 1982, Visiting Professor for Management at the University of Kansas 1979 to 1981, Deputy Regional Administrator in Kansas City 1978 to 1979, and Director of the Motor Vehicle Emissions Laboratory 1972 to 1978.

He has also served as an elected city councilman and has worked as a consultant and a marketing representative.

Mr. Alexander was born January 27, 1940, in Chicago, Illinois. He attended Southern Methodist University from 1957 to 1959 and received his B.A. degree in economics from Northwestern University in 1960. He was a Ph.D. candidate in economics from Northwestern University from 1960 to 1963.

March 1990

TOP THREE PRIORITIES

Mr. **Roybal**. Mr. Porter, I would like to thank you particularly for the high regard that you have for the 42 employees in the Office of Policy Development. It is not often that we hear that, but we are pleased to hear that you are not only satisfied, but you are quite vocal about the fact that they are the best that any department could possibly have. I am glad to hear that. Now as a unit then, you come to a final conclusion as to what your top priorities are. Under this new budget, what would be your three top highest priority domestic issues?

Mr. **Porter**. It is difficult to limit it to three, but the three priorities that we have been devoting the bulk of our attention to over the last several months, and that I expect that we will be devoting to over the next several months, are the environment; education; and economic policy. Let me explain each of those.

With respect to the environment, the President asked that I coordinate the development of the administration's Clean Air Act proposals and, as you may be aware, I ended up spending the bulk of last month negotiating on behalf of the administration the agreement between the White House and the Senate leadership on Clean Air. Our office provided an enormous amount of support for that effort. In that capacity, we worked extraordinarily closely with Bill Reilly at EPA, OMB, the Council of Economic Advisers, and the Department of Energy, and Admiral Watkins, et cetera.

We have spent an enormous amount of time on environmental issues—clean air, wetlands, and other environmental issues. Those tend to be very important to the President. They are very important to our country at this time. And our office has been in the center of that effort.

With respect to education, the President asked that we take responsibility, working with the Department of Education, for the planning and the coordination of the summit that the President held at Charlottesville with the Nation's governors and in the follow-up activity, including the negotiation of the national education goals that he announced in his State of the Union Address. Again our office had the primary responsibility for coordinating that effort. That consumed an enormous amount of time, as did the development of the Education Excellence Act.

The reason that I mentioned economic policy is we have a group, five of us, who meet with the President on a regular basis—Secretary Brady; Dick Darman, from the Office of Management and Budget; Mike Boskin, Chairman of the Council of Economic Advisers; myself; and Governor Sununu. We meet with the President to discuss budgetary and economic matters. I was asked to coordinate that group. We meet together very frequently, and then we meet with the President.

Our office has also been very involved in trade policy and in the drug effort working with Bill Bennett, as well as putting together the crime package last year. We have also spent a fair amount of time on child care in recent days. But in specific response to your question, the three top priorities, the ones that have consumed the most hours, would be the environment, eduction and economic policies.

OPD'S ROLE IN POLICY FORMULATION

Mr. **Roybal**. In your involvement in those three and anything else, do you recommend policy to the President? For example, would you recommend a policy with regard to education? Or would you just coordinate activities in the field of education?

Mr. **Porter**. I really have two roles in that respect. The President, when he asked me to take this position, used a term both in inviting me to take it and in his announcement. He used the same term with me that he used with Brent Scowcroft. That is, he said he was looking for someone who was an "honest broker."

Part of the role of the honest broker is to gather together in a comprehensible way the advice of a variety of different individuals. Instead of the President having to meet with a dozen people individually who are advisers to him, he looks to someone to help pull it together. One of the central functions I have is going and saying, this is where this department is. This is where this department is. This is where this department is, et cetera. And working with them in developing a range of alternatives.

But in addition, the President does turn to me and asks, "What is your recommendation, independent of your role and responsibility for coordinating activity?" And I feel comfortable in telling him what my own personal recommendation is based on the immersion that I have had in the subject. But I seek to do it in a way that does not compromise the integrity of my role as an honest broker.

I think that if you were to talk with any of the cabinet officials or other senior officials that our office works with, you would not find that any of them have felt on any occasion that we have misrepresented their views, or sandbagged them, or blindsided them, or excluded them from the process.

I firmly believe that there is only one person—well, there are two people, including the Vice President. But there is only one person in the Executive Branch who got elected. No one elected me. The President is the one whose name is on the ballot, just like you are the one whose name is on the ballot, not your staff. He is the one who has to be held responsible for the decisions he makes. It is my job to make sure that he has a full array of advice that is as accurate as possible and as comprehensive as possible so that he can make an informed decision.

That to me is much more important than my particular policy preferences. I am happy to tell him what my own judgment is on various matters, but ultimately it is he who has to make the decision, and we are there to support him. Now I am in the fortunate position of having known him for a number of years. And one of the reasons that I was willing to come back is because I knew that we saw eye-to-eye on so many things that I could be very comfortable working for someone whose decisions I was happy and enthusiastic to support.

Mr. **Roybal**. Are there not times, however, when your personal decision may differ from the policy that is being carried out?

Mr. **Porter**. In the life of every person who works in the government, it has been my experience that there are those times when you individually would have made a different decision. And that has certainly been true in my case, as in the case of everyone else.

It is rare in my case. But when it happens, I remind myself that my personal preferences—while I am happy to express them and I fight hard for them, if it does not go that way, I am happy to fall in line and support the decision.

Mr. **Roybal**. When you get into a meeting with all the other advisers that are involved, your personal decision may differ.

Mr. **Porter**. That is correct.

POLICY DEBATE

Mr. **Roybal**. Does any debate take place over the difference of opinion?

Mr. **Porter**. Oh, absolutely. We have enormous debates. There are a lot of differences of opinion. I personally happen to believe that is healthy. I happen to believe that you illuminate an issue much better when there are competing and contending arguments. I do not believe in the notion that a decision maker ought to be shielded from disagreements, because if you have a process that has as its primary objective reaching an agreement among all the advisers—something that they can all feel comfortable with you have what I call "lowest common denominator policies."

Mr. **Roybal**. What I understand that you do is to sit in with other advisers, for example the drug czar would be one. The Secretary of Education would be another—and others who lead separate and distinct departments of the Federal Government, all equally important. What I am trying to get this for is a picture of what takes place when there is disagreement. And you have said that there is debate. There is discussion on it. I suppose that the one that makes the final decision, of course, is the President.

Mr. **Porter**. Right.

OMB'S ROLE

Mr. **Roybal**. But from the standpoint of the economic costs that are involved, is it not the Office of Management and Budget that does it?

Mr. **Porter**. Well, the Office of Management and Budget works extraordinarily closely with our office.

Mr. **Roybal**. Right.

Mr. **Porter**. They are included, either Director Darman or one of his representatives is included in virtually every one of the meetings that we hold or have responsibility for. Our mode of operation is to present the President with a range of options—sometimes there are two options, sometimes three, and occasionally four options as to what one might do on a particular issue—and to identify the departments or agencies that favor option A or option B or option C to try to illuminate what are the advantages and disadvantages associated with each of those options.

Mr. **Roybal**. Does the time not arrive when OMB says, for example these three options are excellent, but we cannot afford it, so we have to go to option four?

Mr. **Porter**. Absolutely. OMB, it will not surprise you, finds themselves in the position of making that argument all the time.

Mr. **Roybal**. Okay.

Mr. Porter. Sometimes our office agrees with OMB. Sometimes we do not. And we go in and say, "Well we can understand the argument they are making here, but we think we need more."

Mr. Roybal. That puts us in the same boat, because we do not always agree with OMB. [Laughter.]

Mr. Porter. Absolutely.

Mr. Roybal. And I am glad to know that we have a couple of them. Mr. Skeen?

PERSONNEL REQUEST

Mr. Skeen. Thank you, Mr. Chairman. Dr. Porter, let us get down to some of the more mundane operations and then we will go back to the more apparent.

Mr. Porter. Please.

Mr. Skeen. Last year you indicated most of your increase was on personnel absorption.

Mr. Porter. That is correct.

Mr. Skeen. That is correct. And you have what, 44 FTEs?

Mr. Porter. That is correct.

Mr. Skeen. And you are expanding to how many? What are you authorized for total? Is this your authorization level?

Mr. Porter. That is our authorization level.

Mr. Skeen. That is your authorization level.

Mr. Porter. And we are not asking for any additional.

Mr. Skeen. And you are not asking. You also have——

Mr. Porter. What we are asking for is sufficient funds to fully fund——

Mr. Skeen. To fully fund it.

Mr. Porter. Right.

Mr. Skeen. Okay. That is why the increase now.

Mr. Porter. That is correct. We are not asking for any increase in personnel. It is just that we were not fully funded last year, and we want——

COMMUNICATION AND COMPUTER NEEDS

Mr. Skeen. Have you done your communications and computer updates that were requested by the Office of Policy Development last year? We understood that some of this money last year was appropriated for your computer and communications support.

Mr. Porter. That is correct.

Mr. Skeen. What is your adequacy level now?

Mr. Alexander. We are in good shape.

Mr. Skeen. Are you in good shape?

Mr. Porter. We are in good shape. The reason David is smiling is, I am one of those people who has been pulled kicking and screaming into the 20th century with respect to——

Mr. Skeen. Well we are all that.

Mr. Porter [continuing]. Computer technology.

Mr. Skeen. But we have a lot of wizards who can handle that. Let them handle it.

Mr. Porter. I grew up typing. In fact, I took a typing class in the eighth grade and sat next to this girl. I am a very competitive individual. And I sat next to this girl who literally typed 90 words a minute. And I just determined that I was going to beat her. And so I type over 90 words a minute now. And as David will tell you, I compose an enormous amount of material on the typewriter, but I just refused to move into the computer age. However this past year, through a lot of patience and persistence, David finally convinced me to put in my office one of these computers and as he will attest now, I live by it. It is just——

Mr. SKEEN. Well, do not feel too badly.

Mr. PORTER. It is marvelous.

Mr. SKEEN. One of the actions around this place is be sure your staff has plenty of good—the modems and the rest. You have a good system and so forth. But do not let the Member have one. [Laughter.]

That is a question that we ask all the departments because in these days and times—and I understand your reluctance—you have got to have them.

Mr. PORTER. Right.

DRUG POLICY

Mr. SKEEN. Now let us go back to your job. You call it the Office of Policy Development. It is more integration and coordination, or a great deal of it is, plus development.

Mr. PORTER. That is correct.

Mr. SKEEN. And I do not know the term exactly. What have you done? What kind of progress have we made now in the monitoring of the drug abuse policy and recommendations that were made to the new agency and the new commission? Just give me kind of a bit on that specific area of progress.

Mr. PORTER. Well as you know, the Office of National Drug Control Policy has been created and is up and working now. And we have sought to work very closely and amicably with them. Either myself or a representative from our office sits on all of the committees or working groups that have been established by that office. We have worked very closely with them in developing the strategy that was announced in September of last year. We worked very closely with them in developing the strategy that was announced in February.

I personally participated in a large number of meetings that involved Director Bennett, and Richard Darman, and Governor Sununu and myself to discuss the budget request for that office this year, as well as in the sessions that we have with the President. We have a very good working relationship with Director Bennett, whom I have known for many years, and with his office. We were asked to help resolve a couple of jurisdictional matters involving——

Mr. SKEEN. I can assure that you probably have.

Mr. PORTER [continuing]. His office and some of the other departments. I was recommended, I remember, at one meeting as someone who should go and solve that. And working with Director Bennett and some of the other cabinet officers, I am pleased to report that we were able to get that sorted out. I have spent a lot of time in government dealing with interagency issues and matters. There is no question that government involves competing contending forces and many of the battles are jurisdictional ones.

For what it is worth, from my vantage point, I think that over the last year we have had fewer major jurisdictional battles than I experienced in my two previous incarnations in government and that we have established a better, more collegial, more amicable set of working relationships than I think has often existed in the past. I think in part that is a result of the people, but I think even more than that it is a reflection of President Bush. He communicates to people his interest and his desire that they work in a collegial fashion.

I have been thinking about this for a long time and asking, "Why is it that it is different this time than it has been sometimes in the past?" I am convinced it is the direction at the top and the kind of signals that he sends out that creates that kind of environment in which people work. So from that standpoint, it is a very pleasant place to work.

Mr. SKEEN. It is heartening to hear. And evidently you have had a tremendous input into this drug policy development. And we want it to work. And we are pouring huge sums of money into yet again another program. It is absolutely essential, and one that probably has, along with the areas of the three Es that you have mentioned before—environment, education and economics—it relates to all three of those——

Mr. PORTER. Absolutely.

Mr. SKEEN [continuing]. Particular areas.

Mr. PORTER. Absolutely.

Mr. SKEEN. And we have mentioned that the common denominator of all of these is just how well we survive this onslaught. I appreciate your responses very much.

Mr. PORTER. Thank you.

Mr. SKEEN. Thank you, Mr. Chairman.

Mr. ROYBAL. Thank you, Mr. Skeen. Mr. Wolf?

Mr. WOLF. Thank you, Mr. Chairman. Mr. Porter, I want to welcome you here.

Mr. PORTER. Thank you very much.

INTERNATIONAL ECONOMICS

Mr. WOLF. I have a couple of questions and just a comment at the outset. I want to commend you for the job that you are doing. It is a tough job. I think you have done a good job on drug policy and on child care, which Congress is taking up today. The Congress may not agree with you, but I think the American people do. And I think ultimately the position you have come up with will prevail. I did not have a chance to come here earlier when Mr. Boskin testified. I had a meeting in my congressional district.

But I just want to raise a couple of issues. And I do not know that others in the committee necessarily agree with me. We may have differences. I am a free trader. I have never voted for a protectionist bill since I have been in Congress. And yet some people in Congress who disagree with me have voted for a lot of them. But I voted every time against the textile bill and in support of the veto; against domestic content; against the Gephardt amendment. I think these were not very good.

Having said that though, I get very concerned with the trend that I see—the storm warnings. Banking in 1980. Two of the three largest banks in the world were American banks. Today the top 10 are all Japanese. The top 20 are mostly Japanese, some Dutch, German and French. The largest American bank is 24th. It is Citicorp. In California, in the Chairman's state, 25 percent of the allocation of the commercial banking market is controlled by the Japanese banks. Now maybe the government of California or the people of California are not concerned by this.

But I think that tells me that there is a potential problem. Now if you want to turn your allocation of capital over to people that do not live in your country, then that is certainly a choice. And we are a nation that allows these choices. We see a situation where 18 percent of our debt is owned by foreigners—good allies, supporters. But we also see high tech companies being taken over.

And I am beginning to sense kind of an attitude of defeatism among some people in American business. Some will run up here and ask for a new protectionist bill, but most of them do not want that. And they go into negotiations almost expecting to lose. Well I think the attitude should be that we welcome the competition.

I do not know where the majority of Congress is on this issue. You have 435 people who go off on their own sometimes. But I think a majority of the American people are concerned about this issue. I want to see something done. But I do not believe a majority are protectionists. I do not believe they want to see artificial barriers. I think they want to see markets open up around the world whereby they can compete. The cliche is "a level playing field."

But I think there are other problems. You can open up all the markets in Asia that you want, but if you do not have any high quality products to sell them, then you have not gained anything.

And I want to commend you on the education program. I think if the President can get the support of the Congress, like he has gotten from the governors, I would be somewhat optimistic. The literacy rate in the U.S. is 80 percent. Eighty percent in the United States of America. Yet the literacy rate in Japan is 98 percent. The literacy rate in West Germany is 98 percent. In the U.S. there are fewer majors in math, science, physics, chemistry and things like this.

So I would just hope that you could focus on this. And that is why I really regret not—I admire Mr. Boskin—and I regret not being here. Of course here I am as a Bush supporter and a Reagan supporter. I have a very high support record of the Administration. But I get a little worried when I hear statements that we do not want to pick winners and losers, as if that is kind of an economic policy. That is really not an economic policy.

EDUCATION PROGRAM

We can participate in different ways. I, through the good offices of Secretary Bennett, got a program funded with very little seed money, in Fairfax County, whereby we would teach teachers at George Mason University in what we call an immersion program.

And Fairfax County accepted it. And Arlington County, unfortunately, in my district did not want to do it. What we did is we taught seven teachers.

And now in Fairfax County in my congressional district we have seven schools that teach Japanese, Spanish and French in first grade. Now they do not teach Japanese in first grade. What they teach is the curriculum for first grade. Half the day is in Japanese. Half the day is in English. So they teach two times two equals four in Japanese, and they teach two times two equals four in English.

The students were selected in Great Falls Elementary in Great Falls, and in several other schools. The students have been selected by a lottery system. And so you do not just get the best competing. They have tested them, and they are excelling beyond those who just took the course in English. And I wrote a letter the other day to the President asking him to visit—and I would welcome you to come out and visit the school, too. The morning session is in a room with a Japanese flag, a bonsai plant. No one speaks English. The students have never heard the instructor speak English. They have never in their life ever heard this instructor speak English.

They go through the Japanese formalities of bowing and all that. I said to the teacher and the principal—keep in mind these are first grade students, "When will these students be able to go to Japan, and rent a car, and drive around, and buy some food, and negotiate, and read the paper and listen to the radio?" And she said, "Second grade, and probably third grade." That means in second grade and third grade, he will be basically fluent. And yet we have Japanese who come here and negotiate in English. And our businessmen go over there and negotiate in English. The only Member of Congress that I believe we have that I know of that definitely speaks Japanese is Norm Shumway. There may be one or two others. We have technical journals that the Japanese are publishing that we cannot even translate. I am not really asking you to say anything as much as I am making a statement that I really am concerned. And I will tell you the American people are concerned. And I think it is important you are ahead of the power curve on these issues.

COMPETITIVENESS

But in the area of competitiveness, I think a little Federal participation would not necessarily be bad. High definition television is one area. There are opportunities for those HDTV panels in so many other areas, in health care and so many others. So do whatever you can do so that the President sets a tone for the business community that we ought to be aggressive. That we ought to be back in the market and competing. Because I really sense the trend going the other way.

It is not a great problem when 7-Eleven is purchased by the Japanese. But when the company that makes the trainer for the B-2 Stealth bomber is, then we have got a problem. And we are beginning to see little things like this crop up. And I think it is a potential problem, and hopefully the administration can address it and get out in front, particularly ahead of those who may want to demagogue the issue for political reasons.

I hope you come out with a positive policy that brings people together and yet does not offend our allies and does not destroy our relationship with the Japanese and others but moves ahead in a very positive way.

Anyway if you want to make comments, fine. If you do not, it really is not necessary.

Mr. **Porter**. Well, I will be brief. I share the objectives that you do and a lot of the same kinds of preferences you do. I am persuaded that the 1990s are going to be a seminal decade for our country because the world is shrinking economically with respect to the flow of goods and services. We are going to find out whether we are going to be able to compete.

JAPANESE EDUCATION

I spent a fair amount of time in Japan over the last several years, including spending a good deal of time in their school system. I am persuaded that we need an educational renaissance in this country. I appreciate very much the invitation to visit the schools in Fairfax County that you mentioned who are trying this experimental program teaching elementary school students Japanese. I think that is an exciting idea and would very much like to visit one of those schools and see first-hand how it is working. I have three children in Fairfax County schools.

Mr. **Wolf**. Where do they go?

Mr. **Porter**. They attend the Churchill Road Elementary School and the Cooper Intermediate School. I have one at Cooper and two at Churchill Road. They are good schools, and we have been pleased with what they have had there. But they are not one of the schools that——

Mr. **Wolf**. Well Great Falls feeds into Cooper, and now at Cooper they are going to have to put this program in. All of my kids—I have five—and I guess that is my greatest motivation. I worry about what kind of country we are going to transfer over to my kids and my grandkids. And four of my five speak foreign languages. I have a daughter studying in Spain now, and I have a son who worked down in a missionary project down in Bolivia to learn the language. But yet when you look at the figures, the number of students and colleges that require a language as a mandatory course are actually dropping.

Mr. **Porter**. Yes.

Mr. **Wolf**. But Cooper will have the program in the next four years.

Mr. **Porter**. I guess I would just make one other comment. Apparently the program that you have described seems to be working.

Mr. **Wolf**. Very well.

Mr. **Porter**. The students are benefitting greatly from it. And I think it partakes of a principle that I was very impressed with when I visited the largest private high school in Osaka, Japan. I had the opportunity of getting to know the family that founded this high school. It was founded in 1945 in the ashes of the second world war. They now have 4,000 students at that high school.

Since it was founded in 1945, this high school has produced seven Olympic gold medal winners. They regularly win the All Japan gymnastics championships. They win the All Japan tennis championships. They also win the All Japan mathematics championships. They win the All Japan English championships. And 98 percent of their students graduate and go on to a university. I visited the school twice. I have addressed the 4,000 students.

And the first time I was there, I spent a whole day and went from classroom to classroom. I sat down and visited with the exchange students they had from the United States, Canada, Great Britain and Australia to talk to them about their experiences.

And at the end of the day, I sat down with the headmaster and the vice headmaster and started asking them the kinds of questions that I suspect each of you would ask if you were in that position. How do you recruit your students? What kind of entrance exams do you have? Where do you get your teachers? Do you cream in the process of selecting students? What if the student is poor? Do they get a scholarship?

KEY TO SUCCESS

I got answers that I had not expected. They do not cream. They provide scholarships for poor students. They do not pay their teachers more than other schools.

Finally I turned to the headmaster and I said, "Mr. Hiroka, you have an incredible success here. What do you think accounts for the success of your school?" And he said to me, "Dr. Porter, the key to our success is"—and he spoke immaculate English—"the key to our success is very simple. It can be summarized in a single word—expectations. At Seifu Gauken, we have a tradition of expectations. When students come to Seifu Gauken, they are expected to be in class. They are expected to do their homework. They are expected to master the material. If they do not get the material the first time, we provide additional tutoring for them or they come after school."

Nothing less is acceptable. Now what you have described is a situation in which students go in and they are going to be taught in Japanese. The expectation is they will respond in Japanese. That is a norm. Half of your day is going to be spent in this way. And what happens? The students respond. Not creaming of the best, just picking them at random. We will put the students in there and say to you, you are going to learn in this way. And what happens? The students respond.

When I have not been in the government, my career has been spent in academia—in the classroom. And I can attest out of my own experience that the person in the classroom who is teaching establishes a set of expectations with those students, either explicitly or implicitly. If those expectations are at all within reach, the students will respond to them. If you set low expectations, you get precisely that level of performance. And if you set high expectations, the students will do everything in their power to meet those expectations.

I think all across this country we have to lift the whole system. I mean, not just Fairfax County—everywhere. We have to lift the system if we are going to have the kind of education that is going to enable us to be competitive.

Mr. Wolf. I have a daughter who works in the inner city. She works for a church group called the Community of Hope at 14th and Belmont Street. She has been there for two years tutoring kids. And she goes in one day a week into the inner city schools. And the expectation from the kids is not there. They do not have the expectation. It is just to get through the day. The last question—also, the number of days in school per year 180 days here versus 240 in Japan. I am not saying 240 is the magic number. The last question is a little controversial, and you do not have to answer it. It is just a concern. And I do not know that it is really that important insofar as the big scheme of things. But I think perceptions are important.

FOREIGN LOBBYING

There is a little bit of concern with regard to the lobby effort in town. Japanese and other foreign interests are hiring former Members of Congress, former high ranking officials in Republican administrations, as well as Democratic administrations. It is a bi-partisan problem. Or if you do not think it is a problem, it is a bi-partisan issue. And I hope that the Bush administration will express a concern. I personally think that the President is probably the most honest, ethical, moral man that we have had in there for presidency. He is certainly one of the best. And I would put President Carter in the same category.

But I was troubled by the Toshiba situation, whereby Toshiba sold high technology equipment that jeopardizes security of the United States that will cost us billions to recapture. We could use the money for education in the inner cities and bilingual education and cancer research. That they then work it out so that Congress weakened the sanctions.

The lobby effort—and it was a legitimate thing, and reasonable men and women can differ—but to see the number of former high level officials of both political parties that were actively involved. I would assume for no charitable reason, but for a lot of money.

It sent a message out that I think partially contributes to the attitude that I sense in some in the business community. They start to think that they do not have the firepower to compete. And I think this is an issue that you are really going to have to be a little sensitive about. What do you do with it? I do not think we can outlaw it. I do not think we can pass laws against it.

But I think moral leadership is needed. We must set standards—expectations. Back to the expectations. When you come to this Congress and you get paid for by the taxpayers of the United States, there goes with it some obligation when you leave to represent their best interests.

And again, let me just say for the record, I am not suggesting that this was illegal, immoral, unethical, or anything like that. But I think the expectations should be higher. And so if the administration could set a certain standard or say something, that might be very, very positive.

And again, thank you very much. Mr. Chairman, I yield back the balance of my time.

IMPACT OF SMALLER BUDGET

Mr. **Roybal**. Mr. Porter, one last question. I ask this question of almost everyone that comes before us because of budgetary restraints. We do not know what our 302(b) allocation is going to be. But what would be the impact on your operation if this committee could not grant your request for the amount over last year, which is $322,000 more than 1990?

Mr. **Porter**. Well we just would have to leave—we would have to not fill some positions. And it would reduce and limit our effectiveness. I am certainly not going to suggest that it would be devastating or would cause us to shut down, but I am suggesting that in comparison with the role that we have been asked to play and the size that we currently are, which is by government standards modest indeed, I think that the request that we have made is a legitimate one and an appropriate one.

It is not one that has any padding. It is one that I hope—I realize the constraints that you are under, because we have to put together budgets on the other end of the avenue, and it is a difficult challenging one. I hope it is one that you will consider carefully.

Mr. **Roybal**. Another reason for asking the question is that you made it quite clear that you also meet with the Office of Management and Budget.

Mr. **Porter**. Yes.

Mr. **Roybal**. We thought maybe we could point out that we also meet with the Office of Management and Budget.

Mr. **Porter**. Okay.

Mr. **Roybal**. Not only will they be our last witness before markup, but we are affected by what they do also.

Mr. **Porter**. Right. I will pass that on.

Mr. **Roybal**. Mr. Porter, I would like to thank you and Mr. Alexander for your testimony today. The committee will take it under advisement.

Mr. **Porter**. Thank you. I appreciate it.

Mr. **Roybal**. The committee is adjourned.

[The justifications follow:]

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF POLICY DEVELOPMENT

FISCAL YEAR 1991 BUDGET

Executive Office of the President
Office of Policy Development
Congressional Submission
FY 1991

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I. GENERAL STATEMENT

Executive Office of the President
Office of Policy Development

The Office of Policy Development advises and assists the President in the formulation, evaluation and coordination of long-range economic and domestic policy; supports the operation of the Office of Cabinet Affairs, including the Domestic Policy Council and the Economic Policy Council; and supports the President's Education Policy Advisory Committee and Low Income Opportunity Board.

OFFICE OF POLICY DEVELOPMENT

Budget Overview
(Dollars in 000s)

	Actual FY 1989	Estimated FY 1990	Estimated FY 1991	Net Change FY '90-'91
Budget Authority:				
Appropriation	2,990	3,079	3,395	320
Gramm-Rudman Sequester		(4)		
Post GRH Authority		3,075		
Employment:				
FTP	35	42	42	0
Total FTE	36	44	44	0

II. SUMMARY OVERVIEW

Executive Office of the President
Office of Policy Development

The Fiscal Year 1991 budget request of $3,395,000 provides for the salaries and expenses of the Office of Policy Development. The requested amount is an increase of $320,000 over the amount available for Fiscal Year 1990.

The budget request will provide adequate funding for the authorized payroll positions, meet a portion of the unavoidable cost increases and provide for minimal computer upgrading. There is no increase in the number of personnel authorized, but it is anticipated that all authorized positions will be filled.

III. APPROPRIATION LANGUAGE

Executive Office of the President
Office of Policy Development

Salaries and Expenses

For necessary expenses of the Office of Policy Development, including services as authorized by 5 U.S.C. 3109, and 3 U.S.C. 107; [$3,079,000] $3,395,000. (Executive Office Appropriations Act, 1990.)

5

Office of Policy Development
Salaries and Expenses

Program and Financing (in thousands of dollars)

11-2200-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Program by activities:			
00.01 Direct Program	2,990	3,075	3,395
01.01 Reimbursable program	209	---	---
10.00 Total obligations	3,199	3,075	3,395
Financing:			
11.00 Offsetting collections from: Federal funds	(209)	---	---
25.00 Unobligated balance lapsing	10	---	---
39.00 Budget authority	3,000	3,075	3,395
Budget Authority:			
40.00 Appropriation	3,000	3,079	3,395
40.00 Reduction pursuant to P.L. 99-177	---	(4)	---
43.00 Appropriation (adjusted)	3,000	3,075	3,395
Relation of obligations to outlays:			
71.00 Obligations incurred, net	2,990	3,075	3,395
72.40 Obligated balance, start of year	284	674	692
74.40 Obligated balance, end of year	(674)	(692)	(759)
77.00 Adjustments in expired accounts	(48)	---	---
90.00 Outlays	2,552	3,057	3,328

Office of Policy Development

Program and Performance

The Office of Policy Development advises and assists the President in the formulation, evaluation and coordination of long-range economic and domestic policy; supports the operation of the Office of Cabinet Affairs, including the Domestic Policy Council and the Economic Policy Council; and supports the President's Education Policy Advisory Committee and Low Income Opportunity Board.

Office of Policy Development
Salaries and Expenses

Object Classification (in thousands of dollars)

11-2200-0-1-802		FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
	Personnel compensation:			
11.1	Full-time permanent	1,352	1,468	1,685
11.3	Other than full-time permanent	60	55	55
11.5	Other personnel compensation	0	2	2
11.8	Special personal services payments	81	327	327
11.9	Total personnel compensation	1,493	1,852	2,069
12.1	Civilian personnel benefits	280	365	418
21.0	Travel and transportation of persons	19	60	60
22.0	Transportation of things	1	1	1
23.1	Rental Payments to GSA	516	540	562
23.3	Communications, utilities, and miscellaneous charges	148	167	180
24.0	Printing and reproduction	4	4	5
25.0	Other services	59	35	35
26.0	Supplies and materials	97	35	35
31.0	Equipment	373	16	30
99.9	Total obligations	2,990	3,075	3,395
99.9	Reimbursable obligations	209	....	....
99.9	Total obligations	3,199	3,075	3,395

Office of Policy Development
Salaries and Expenses

Personnel Summary

11-2200-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Total number of full-time permanent positions	35	42	42
Total compensable workyears:			
Full-time equivalent employment	36	44	44

Office of Policy Development
Salaries and Expenses

Detail of Permanent Positions

11-2200-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Total permanent positions (ungraded)	42	42	42
Unfilled positions, end of year	7	...	...
Total permanent employment, end of year	35	42	42

OFFICE OF POLICY DEVELOPMENT

Fiscal Year 1991

PERSONNEL SUMMARY BY SALARY RANGE

11-2200-0-1-802

PERMANENT PERSONNEL CEILING: 42 ungraded positions

Estimated distribution by salary range:

Executive Level Equivalents--Total.......	6

Other Positions

Above $70,000.......................	2
$60,001 to $70,000..................	2
$50,001 to $60,000..................	3
$40,001 to $50,000..................	8
$30,001 to $40,000..................	7
$20,001 to $30,000..................	13
$10,001 to $20,000..................	1

Total - Other................	36

IV. SUMMARY TABLES

Executive Office of the President
Office of Policy Development

Summary of Budget Authority by Object Class
FY 1989-1991

BUDGET OVERVIEW
(in thousands of dollars)

	Actual FY 1989	Estimated FY 1990	Estimated FY 1991	Net Change FY'90-'91
Personnel compensation:				
Full-time permanent	1,352	1,468	1,685	217
Other than full-time permanent	60	55	55	0
Other personnel compensation	---	2	2	0
Special personal services payments	81	327	327	0
Total personnel compensation	1,493	1,852	2,069	217
Civilian personnel benefits	280	365	418	53
Total compensation & benefits	1,773	2,217	2,487	270
Travel & transportation of persons	19	60	60	0
Transportation of things	1	1	1	0
Rental payments to GSA	516	540	562	22
Comm., util., & misc. chgs.	148	167	180	13
Printing & reproduction	4	4	5	1
Other services	59	35	35	0
Supplies & materials	97	35	35	0
Equipment	373	16	30	14
Total direct program	2,990	3,075	3,395	320
Lapse	10	---	---	
Budget Authority	3,000	3,075	3,395	320

V. EXPLANATION AND JUSTIFICATION OF CHANGES BY OBJECT CLASS FOR FY 1991

Executive Office of the President
Office of Policy Development

(Totals in thousands of dollars)

I. Increases to Maintain Current Services & Request Levels $320

FY'90	FY'91		Net Change
$2,217	$2,487	Personnel compensation and benefits	$ 270
		The request includes salaries for 42 full-time permanent positions (the same number authorized for Fiscal Year 1990); temporary employees and consultants two workyears (same as Fiscal Year 1990); overtime and holiday pay; and reimbursable details (an allowance of $327,000 based on the projected detailees for Fiscal Year 1990). An allowance of $10,000 for terminal leave payments is included (the same amount as Fiscal Year 1990). The increase in the budget for personnel provides the funding for full utilization of the authorized positions.	
$60	$60	Travel and transportation of persons	$ 0
		The amount requested provides for essential staff and invitational travel (no change from Fiscal Year 1990).	
$1	$1	Transportation of things	$ 0
		This is an allowance for messenger and express mail services.	
$540	$562	Rental Payments to GSA (SLUC)	$ 22
		This provides for office space and a proportionate share of general administrative space at rates established by the General Services Administration. The increase of $22,000 is a rate increase for the same amount of office space as currently assigned.	

FY'90	FY'91		Net Change
$167	$180	Communications, utilities, and miscellaneous charges The requested amount reflects the estimated cost of telephone service, utilities and necessary maintenance.	$ 13
$4	$5	Printing and reproduction This amount provides an allowance for printing costs.	$ 1
$35	$35	Other services The budget request provides for contracting for electronic data services and maintenance of office equipment, including computers.	$ 0
$35	$35	Supplies and materials This is the estimated cost of office supplies, materials, and publications for use by the staff.	$ 0
$16	$30	Equipment The budget request provides a minimum amount for the purchase of computer and communication equipment to remain compatible with the White House support system.	$ 14
$3,075	$3,395	Total all object classes	$ 320

WEDNESDAY, MARCH 28, 1990.

NATIONAL CRITICAL MATERIALS COUNCIL

WITNESS

D. ALLAN BROMLEY, CHAIRMAN

Mr. ROYBAL. The committee will hear from the National Critical Materials Council. You may proceed in any manner that you may desire.

OPENING STATEMENT

Mr. BROMLEY. Thank you, Mr. Chairman. When I left my office this morning to come up here, I came as Director of the Office of Science and Technology Policy. But by phone call in my car on the way up, I discovered that the President had indeed signed my commission as Director of the National Critical Materials Council. So I am fully legal in talking with you this morning on that particular matter. I am happy to have this chance.

Mr. ROYBAL. Congratulations.

Mr. SKEEN. Congratulations.

Mr. BROMLEY. Thank you. The two other nominees for the Council are W. Henson Moore, who is the Deputy Secretary of Energy.

Mr. SKEEN. Former colleague of mine.

Mr. BROMLEY. Yes, indeed. And TS Ary, who is Director of the Bureau of Mines. And the Bush administration is proposing a funding level of $235,000 for the Council in fiscal year 1991. For fiscal year 1990, the Council had a budget of $397,000 after Gramm-Rudman adjustments.

The difference reflects the fact that during fiscal year 1990, the Council provided support and coordination for the National Commission on Superconductivity. That responsibility will no longer be in place in 1991, and therefore the proposed budget is less. The lesser 1991 budget request will however allow the Council to carry out its legislative responsibilities.

IMPORTANCE OF MATERIALS SCIENCE

Let me say at the outset, Mr. Chairman, that I personally feel that materials science is in some sense one of the scientific orphans in this nation. It is enormously important for our economic competitiveness, for national security, but it has not fallen comfortably into any particular agency, into any particular academic discipline. And so we have tended to lose ground in this area with respect to many of our foreign competitors.

I feel that one of my roles, both as Chairman of this Council and as Chairman of the Office of Science and Technology Policy, is to try to improve that situation. And there are several parts to that improvement. I think we can make a tremendous difference in the cooperation and coordination between federal activities and those in the private sector.

I think also that we have already begun work in developing better levels of communication and cooperation between our activities and congressional staff and congressional committees. And so I look forward to trying to put materials science, materials technology into a stronger position during this coming year, and beyond than has been the case in the past.

One of the reasons for that is that there has been a dramatic series of developments in materials science and technology worldwide. And that is that for the first time, we know how to tailor materials. If you tell us what you would like in the way of strength, corrosion, wear resistance, something of the sort, we will in fact be able to now tailor a particular material with those properties—hopefully economically so.

And so we have reached a stage where the materials component of almost every aspect to our national life is one of the enabling technologies. It is one of those components that is critically underpinning what is going on. And we have, I think, a real opportunity to improve our situation and to improve our competitiveness.

As you know, gentlemen, in the Reagan Administration, there were proposals for phasing out this Council, transferring its function to my office, the Office of Science and Technology Policy, and to the Bureau of Mines. The Bush Administration believes, however, that this Council has indeed a useful purpose, and agrees with the Congress that in fact there is an important role for it to play.

And I think that the three of us—myself and the two nominees for the Council—will have the proper access and background to enable us to play an important coordinating role, particularly in the interface between governmental activities and those in the private sector.

We are particularly interested in using our resources as effectively as we can. The Council produced a Critical Materials Report and an Advanced Materials Program Plan during the past year. We do not believe that those reports need to be repeated in the near future, at least. But we have a base in those reports for our continuing activity. And if I could, gentlemen, I would like to take a moment just to tell you how I propose to handle this and a number of other critical technological areas in terms of our total Government-wide activity.

GOVERNMENT-WIDE ACTIVITIES

First of all, I am in the process of revitalizing the Federal Coordinating Council for Science, Engineering and Technology. That is an organization that was founded with the same legislation in 1976 that founded my office. But unfortunately, at least in recent years, it has not functioned very well because the participation from the agencies was at too low a level. And commitments made in the FCCSET committees did not hold up when the agencies finally came to the OMB and to the President for budget discussions at the end of the budget process.

What I have done now is to obtain a grievance from a large fraction of the cabinet and the directors of most of the independent agencies involved that they, themselves will serve from now on as members of the Federal Coordinating Council so that we will have the possibility of arriving at decisions which will stick throughout the process. And this will give us great strength, I think, in crosscutting and coordinating the activities government-wide.

There is however one weakness in the FCCSET mechanism, and that is simply that there is no provision for private sector input. And I think that is of growing importance in most of the areas of science and technology.

And so to that end, I am very pleased that within the past month and a half, the President has brought together the President's Council of Advisors in Science and Technology. The acronym is PCAST. This group met first with the President for three hours at Camp David in February to discuss a number of issues in an open, candid forum. We met again last week. The President met with us. And this, I think, will be a very powerful group. It reports directly to the President for the first time in almost two decades, and brings in a channel for private sector input directly into the highest levels of the Government.

Since I chair both PCAST and FCCSET, I have the responsibility and the opportunity then to bring together committees of the FCCSET that are intra-governmental and panels of the PCAST that is private sector so that we bring these viewpoints together as we are crosscutting and coordinating the activities government-wide.

A success from last year that I am very proud of is what we were able to do in the area of global change. The FCCSET Committee on Earth Sciences, under the able leadership of Dallas Peck from the Department of the Interior, pulled together a government-wide program covering seven agencies. This is something that is now looked on as a model for the rest of the world. The President made available their report—the integrated national program at the economic summit last fall in Paris. And this is now being widely looked on as the way national government should approach this kind of problem to have all the agencies working in a coherent, coordinated fashion.

I would like during this coming year to have the same situation in areas such as materials science and technology; biotechnology; high performance computing and networking; human resources and education; and there are a number of others where frankly we do not know—no one knows what all the agencies are doing as independent entities responding to national opportunities and needs. And by bringing first of all a base together—finding out what we are actually doing—then we can bring forward to the President and to you gentlemen, a program that you can look at as an integrated program for the entire country.

And so I look forward to the activities of this National Critical Materials Council. I think it can play an important role, together with PCAST, in bringing private sector input into the materials science and technology area.

Mr. Chairman, I would be more than happy to try to respond to your questions.

[The information follows:]

TESTIMONY OF
D. ALLAN BROMLEY
Chairman (designee), National Critical Materials Council
before the
Subcommittee on Treasury, Postal Service
and General Government of the
House Committee on Appropriations
March 28, 1990

It is a pleasure to be with you today to testify on the fiscal year (FY) 1991 budget of the National Critical Materials Council (the Council). As you know, I have recently been designated as the Chairman of the Council. The other two designated members are W. Henson Moore, Deputy Secretary of Energy, and T S Ary, Director of the Bureau of Mines.

The Bush Administration is proposing a funding level of $235,000 for the Council in FY 1991. For FY 1990 the Council has a budget of $397,000 after Gramm-Rudman adjustments. During FY 1990 the Council is providing support and coordination for the National Commission on Superconductivity. This function will not be continued into FY 1991, and therefore the proposed budget is less. The FY 1991 budget request will allow the Council to carry out its legislated responsibilities.

Let me briefly outline the functions of the Council as I envision them. The Council can play an important role in serving as a coordinating body within government and in providing a conduit for information between the government and the private sector. This role is particularly important as regards recent developments in the area of advanced materials. The Council will review developments and trends in advanced materials as well as potential developments that may affect the supply and demand of conventional critical materials.

Materials science and engineering is now coming into its own as a recognized discipline. Researchers have developed the ability to tailor-make materials literally from the atomic level, with significant implications for industry and for government policy. Materials science and engineering is a key enabling technology, with an importance comparable to that of biotechnology and information technology. An enabling technology has widespread use in manufactured products and provides very high "value added." Even though total sales of an enabling technology may not be large, the technology can substantially reduce the total systems cost of the manufactured product of which it is a key part, or it can impart performance characteristics that are not available with an alternative technology at any cost.

As you know, in years past the Reagan Administration proposed phasing out the Council and transferring the functions of the Council to the Office of Science and Technology Policy (OSTP) and the Bureau of Mines. However, the Bush Administration believes that the Council can be a useful resource for coordination of the Administration's policy on materials. Agency representation on the designated Council is now properly balanced. With myself from OSTP and T S Ary from the Bureau of Mines, the Council will have the proper coordination to avoid overlap between its functions and those of either OSTP or the Bureau of Mines. In addition, the materials science and engineering expertise that the Department of Energy has developed through its national labs and other programs will be most helpful in ensuring a proper balance for materials R&D.

We want to spend the Council's time and money wisely and focus our efforts on high-value-added projects that will be complementary rather than duplicative with what other agencies are doing. As you know, the Council has produced both a Critical Materials Report and an Advanced Materials Program Plan. We do not feel that these reports need to be repeated. However, there are specific topic areas that might need to be visited in light of recent events in this country and around the world. An example in critical materials would be the possible impact of new clean air requirements on the demand for rhodium as a catalyst. Where needed, the Bureau of Mines and other appropriate agencies would be requested to complete an assessment and make it available to the Council.

In the area of advanced materials, I want the Council to coordinate its efforts with the work of the President's Council of Advisors on Science and Technology (PCAST) and with that of the Federal Coordinating Council for Science, Engineering, and Technology (FCCSET), which includes the Committee on Materials (COMAT). PCAST and FCCSET, both of which I chair, will be examining the materials area. Both the Council and PCAST will provide a means of obtaining input from industry on materials. Dr. William Phillips, my Associate Director for Industrial Technology, will be coordinating the overall materials effort for OSTP. Additionally, a restructured FCCSET, with seven new umbrella groups, will allow for agency coordination in materials. COMAT will be a subcommittee under one of these umbrella groups. COMAT has begun a budget cross-cut of federally funded materials R&D. In its first meetings the Council will examine where its staff expertise can be used most effectively with the planned activities of COMAT and PCAST.

I am very optimistic about the opportunities that lie ahead in the materials area. I feel particularly fortunate to be in a coordinating position for these multiple organizations, and I look forward to working with Congress on these issues. I feel that, working together, we can use the funds allocated to the National Critical Materials Council to get the most positive impact for the monies spent.

This ends my opening remarks. I welcome any questions you have.

Mr. **Roybal**. Mr. Bromley, you have described a very ambitious and important program. I also see that the commission is now organized and functional.

Mr. **Bromley**. That is correct.

STRATEGIC STOCKPILE

Mr. **Roybal**. So you have the three members of the commission all in place. We know who the chairman is going to be. Can you tell the committee whether or not you are all in agreement as to what the proper level of strategic stockpile materials is or should be?

Mr. **Bromley**. We have not, Mr. Chairman, had an opportunity even to meet as yet. That is something we hope to do in the very near future. And that is, of course, one of the major topics that we will be taking up as soon as we do begin functioning as a council.

Mr. **Roybal**. All right. Then perhaps you can tell the committee what reports you intend to make on stockpile goals, stockpile levels. And would it be possible for you to provide a copy of each of these reports for this committee?

Mr. **Bromley**. First of all again, Mr. Chairman, I cannot really be responsive to the first question, because I have not had an opportunity to talk to my colleagues at all on this. Clearly we will be producing reports, and the reports of the Council—of course anything that comes out as a formal report, we would be delighted to make available to you.

Mr. **Roybal**. But you will make a determination once you meet on what the stockpile goals are.

Mr. **Bromley**. Yes, we will.

Mr. **Roybal**. What the stockpile levels are.

Mr. **Bromley**. I anticipate that.

Mr. **Roybal**. All right. And what this country would need in the event of a cutoff of strategic materials. And those are the things you probably will——

Mr. **Bromley**. Those are the kinds of things that we will focus on—critical materials, strategic materials.

Mr. **Roybal**. Right. And it is that report when it is written that we would like to have in this committee.

Mr. **Bromley**. We would be happy to provide it to you, sir.

Mr. **Roybal**. Thank you.

BUDGET REDUCTION

I also see that you have a reduction here in your budgetary request of $162,000. What is the reason for this reduction?

Mr. **Bromley**. Well I think that the primary reason, sir, is that last year and this year we are providing support and coordination for the Commission on Superconductivity. That commission will complete its work during this period and will not be then required during the 1991 period.

Mr. **Roybal**. All right. Mr. Skeen?

Mr. **Skeen**. Thank you, Mr. Chairman. Dr. Bromley, I appreciate the position that you are in, and you are a very distinguished scientist and educator. As one who has had an avid interest in this Critical Materials Council from the time that I came on this committee and was instrumental, I think, with the Chairman's coordination and cooperative effort to put this Council together. We have never quite gotten it on track, as you are probably very well aware. And I think there is a vacuum—a void in this thing.

PRIVATE SECTOR INPUT

Now I do not want to see us duplicate our effort. But I think you touched on exactly the problem that we were dealing with that there was no private sector input. And this was a blind side to the Administration and to the scientific community. I love scientists, because coming from that kind of a background, we love to live in our own aura and breathe our own air, and things of that kind. I can understand that.

One of the problems we had with the critical materials was the fact that we have got a lot of stockpile, but we do not know what we have in it, and we do not know what quality, and we do not know what quantity. And I think that because of the initial inertia of putting together this Council, we at least got some interest in upgrading those materials. So I want to commend you on, first of all, finally activating this Council. It seems as though we are going to get it off the ground and get its job done. And it sounds to me like you know where you are going as far as coordinating the interest and the activities.

It is a very modest budget. And we hope that we can keep it that way, but let it do its job. You have not had the opportunity to get your staff put together and the rest——

Mr. **Bromley**. No. Not at all, sir.

Mr. **Skeen** [continuing]. From what I gathered in your testimony. And I want to commend you, too, on the people—who? Henson Moore and who else was on there?

Mr. **Bromley**. Henson Moore and TS Ary, who is Director of the Bureau of Mines.

Mr. **Skeen**. I do not know Mr. Ary, but Henson Moore is footing himself very well at DOE. And he has done an outstanding job. What is the situation now? As I understand it, you have not had a chance to do any surveys, reports, or anything of that kind. What have you——

Mr. **Bromley**. We have not done anything at all. I am just coming aboard as chairman, and my colleagues——

Mr. **Skeen**. This is almost prenatal.

Mr. **Bromley**. Almost prenatal.

COBALT STATUS

Mr. **Skeen**. All right, sir. Well we would like to know.

One of the things I was very much concerned with is the cobalt situation. We have done some refining work in advance of having the Council put together, because it was strategic materials that you need to work with. And one of our private sector folks wanted to do the work. That kind of an estimation, I think intrigues us all. And it is just what do we really have——

Mr. **Bromley** [continuing]. Yes.

Mr. **Skeen** [continuing]. As critical materials.

Mr. Bromley. This is clearly one of the areas that we will look into as one of our highest priorities. And I hope to be able to get the council functioning very quickly. I should tell you that even before that, we will have the FCCSET and PCAST activities in materials science and technology functioning, because we agreed on that at the PCAST meeting last week. And the FCCSET one I already have in place.

ROLE OF THE COUNCIL

Mr. Skeen. One last question. In your estimation, we are not asking for another superfluous council activity, in your opinion?

Mr. Bromley. Not at all. Not at all. This will very much complement and be a cohesive part of the overall approach that I hope that we can take to rationalizing the whole national approach to materials science and engineering. It is badly needed.

Mr. Skeen. Well, I do, too. And I hope it makes this business of materials meaningful, because we do have a huge void in some of those that are absolutely essential to us.

Mr. Bromley. Right.

Mr. Skeen. I commend you on the job that you are going to do.

Mr. Bromley. Thank you.

Mr. Skeen. And I like the way you are cutting the first pattern on the thing. I think you are doing a good job. Thank you.

Mr. Bromley. Thank you. I look forward to working with you.

Mr. Roybal. Thank you, Mr. Skeen.

Mr. Skeen. Thank you, Mr. Chairman.

Mr. Roybal. Mr. Bromley, we would like to thank you for your testimony.

Mr. Bromley. Thank you.

Mr. Roybal. And wish you every success in your appointment as chairman.

Mr. Bromley. Thank you, sir.

Mr. Roybal. I think that you will do an excellent job.

Mr. Bromley. I will look forward to working with you and with your staff.

Mr. Roybal. Thank you. The meeting is adjourned.

[The justification follows:]

EXECUTIVE OFFICE OF THE PRESIDENT

NATIONAL CRITICAL MATERIALS COUNCIL

FISCAL YEAR 1991 BUDGET

I. GENERAL STATEMENT

Executive Office of the President
National Critical Materials Council

The National Critical Materials Council was created by the National Critical Materials Act of 1984 with a wide variety of purposes and statutory obligations, including the following responsibilities:

1. Help establish and coordinate federal materials-related policies, programs, and research and technology activities. Advise the President on materials issues, as appropriate.

2. Review federal compliance with the 1980 Materials Policy Act.

3. Evaluate critical materials needs, including research and development, of industry and government.

4. Assess materials-related education, including the supply of materials scientists and engineers, in consultation with the academic community.

The Council is comprised of a designated Chairman, who is the Assistant to the President for Science and Technology, Dr. D. Allan Bromley, and two other designated members, who are Deputy Secretary of Energy, W. Henson Moore and T S Ary, Director of the Bureau of Mines. An Executive Director and support staff conduct the Council's day-to-day business. The Council has been operating since January 1986.

The Council has reviewed a wide variety of issues including the economic health of the domestic mining and minerals processing industries, the adequacy of critical materials availability to meet national security requirements, federal and private sector research and development activities in the advanced materials area, and the effect on the nation's economy of trends in the minerals and materials industries. Both the Council and staff have held numerous meetings with federal agency officials, industry and academic leaders in both the basic minerals and advanced materials fields, and have testified to Congress on these topics.

The Council has prepared two major reports, the Critical Materials Report and the Advanced Materials Program Plan. The Critical Materials Report analyzes both individual commodities, such as copper, aluminum, and cobalt, and cross-cutting issues, such as international financial assistance for mineral development, research and development in the minerals area, and government regulation of mining and minerals processing.

The Advanced Materials Program Plan assembles the materials research budgets of six federal agencies, Energy, Defense, Interior, NASA, National Science Foundation, and the National Institute of Standards and Technology, and addresses such cross-cutting issues as technology transfer, adequacy of the U.S. educational institutions in the materials area, and industry-academia-government cooperation in materials research.

The Council will continue its involvement with critical and advanced materials, including annual reviews in accordance with the enabling legislation, as well as serve as a communication link between the public and the private sectors on critical materials and related issues.

The Council, during its initial meetings, will formulate a more detailed plan for NCMC activities for 1990, 1991, and subsequent years.

EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL CRITICAL MATERIALS COUNCIL

Budget Overview
(Dollars in 000s)

	Actual FY 1989	Estimated FY 1990	Estimated FY 1991	Net Change FY '90-'91
Budget Authority:				
Appropriation	$225	$400	$235	($162)
GRH Sequester	---	($3)	---	---
Post GRH Authority	$225	$397	$235	($162)
Employment:				
FTP	---	5	3	-2
Total FTE	---	3	3	0

II. SUMMARY OVERVIEW

Executive Office of the President
National Critical Materials Council

The total FY 1991 budget request of $235,000 will provide for the principal functions of the Council in critical and advanced materials. In FY 1990 the Council staff has focused on superconductivity issues. The staff assisted with the completion of the National Action Plan for Advanced Superconductivity Research and Development which was completed in December of 1989. Staff also provided support and coordination for the National Commission on Superconductivity. These functions will not be carried out in FY 1991 except where work is coordinated with the Office of Science and Technology Policy (OSTP) on annual updates of the Action Plan. With the National Commission on Superconductivity no longer in existence by FY 1991, the proposed budget request is $162,000 less than FY 1990. This will provide adequate funding for a staff of three to carry out the Council's functions. These functions include coordination with OSTP on materials issues and annual reviews of critical and advanced materials, in accordance with existing legislation. In addition, the Council will provide technical support and policy analysis for the Administration in all relevant aspects of minerals, materials, and superconductivity issues.

III. APPROPRIATION LANGUAGE

Executive Office of the President
National Critical Materials Council

Salaries and Expenses

For necessary expenses of the National Critical Materials Council, including activities as authorized by Public Law 98-373; [$400,000; Provided, That a minimum level of 5 permanent full-time equivalent positions shall be hired and maintained by the National Critical Materials Council in fiscal year 1990: Provided further, That none of the funds made available to the Council under this Act shall be used to pay other Federal agencies for reimbursable detailees in fiscal year 1990 without the advance approval of the House and Senate Committees on Appropriations] $235,000. (Executive Office Appropriations Act, 1990.)

National Critical Materials Council
Salaries and Expenses

Program and Financing (in thousands of dollars)

11-0111-0-1-802		FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
	Program by activities:			
10.00	Total obligations	149	397	235
	Financing:			
25.00	Unobligated balance lapsing	76	---	---
39.00	Budget authority (appropriation)	225	397	235
	Budget Authority:			
40.00	Appropriation	225	400	235
40.00	Reduction pursuant to P.L. 99-177	---	(3)	---
43.00	Appropriation (adjusted)	225	397	235
	Relation of obligations to outlays:			
71.00	Obligations incurred, net	149	397	235
72.40	Obligated balance, start of year	139	93	40
74.40	Obligated balance, end of year	(93)	(40)	(23)
77.00	Adjustments in expired accounts	(37)	---	---
90.00	Outlays	158	450	252

National Critical Materials Council

Program and Performance

The National Critical Materials Council assists in the coordination of materials policies and programs and works with the various agencies with mineral and materials policy and program responsibilities.

National Critical Materials Council
Salaries and Expenses

Object Classification (in thousands of dollars)

		FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
	11-0111-0-1-802			
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	...	138	168
11.8	Special Personal Services Payments	117	59	...
11.9	Total personnel compensation	117	197	168
12.1	Personnel benefits: Civilian	...	32	37
21.0	Travel and transportation of persons	2	80	2
23.1	Rental Payments to GSA	...	30	20
23.3	Communications, utilities, and miscellaneous charges	...	5	2
24.0	Printing and reproduction	5	15	...
25.0	Other services	21	10	2
26.0	Supplies and materials	4	8	4
31.0	Equipment	...	20	...
99.9	Total obligations	149	397	235

National Critical Materials Council
Salaries and Expenses

Detail of Permanent Positions

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
11-0111-1-1-802			
Senior Executive Schedule	...	1	1
Subtotal	0	1	1
GS-15	...	1	1
GS-14	...	1	0
GS-10	...	1	1
GS-06	...	1	0
Total permanent positions	...	5	3
Unfilled positions, end of year	...	-1	0
Total permanent employment, end of year	0	4	3

National Critical Materials Council
Salaries and Expenses

Personnel Summary

11-0111-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Total number of full-time permanent positions	...	5	3
Total compensable workyears:			
Full-time equivalent employment	...	3	3
Average salary of ungraded positions			

SUMMARY TABLE

Executive Office of the President
National Critical Materials Council

Summary of Budget Authority by Object Class
FY 1989-1991
Direct Funds

BUDGET OVERVIEW
(in thousands of dollars)

	Actual FY 1989	Estimated FY 1990	Estimated FY 1991	Net Change FY'90-'91
Personnel compensation:				
Full-time permanent	---	138	168	30
Special Personal Services Payments	117	59	---	59
Total personnel compensation	117	197	168	-29
Personnel benefits: Civilian	---	32	37	5
Total compensation and benefits	117	229	205	-24
Travel & transportation of persons	2	80	2	-78
Transportation of Things	---	---	---	---
Rental payments to GSA	---	30	20	-10
Comm., util., & misc. chgs.	---	5	2	-3
Printing & reproduction	5	15	---	-15
Other services	21	10	2	-8
Supplies & materials	4	8	4	-4
Equipment	---	20	---	-20
Total direct program	149	397	235	(162)
Lapse	76	---	---	---
Budget Authority	225	397	235	(162)

IV. EXPLANATION AND JUSTIFICATION OF CHANGES BY OBJECT CLASS FOR FY 1991

Executive Office of the President
National Critical Materials Council
(in thousands of dollars)

I. Increase/Decrease from FY 1990 Authority -$162

FY'90	FY'91		Net Change
$229	$205	Personnel compensation and benefits This funding amount will provide for a staffing level of 3 full-time equivalent (FTE). This level is adequate to perform Council functions in critical and advanced materials policy coordination. On page 9 (Salaries and Expenses), it is estimated that there will be 4 full-time permanent (FTP) positions filled at the end of FY 1990. The estimate of one unfilled position results from current estimates of available funding. The current planning is that all 5 permanent positions will be filled by the end of FY 1990, if funds are available.	-$24
$80	$2	Travel and transportation of persons This decrease of $78,000 reflects the sunsetting of the National Commission on Superconductivity (NCOS) for which travel expenses was the primary cost.	-$78

$30	$20	Rental Payments to GSA	-$10
		This decrease reflects less space needed for rent due to sunsetting of the NCOS. Amount will provide adequate office space for a three member staff.	
$5	$2	Communications, utilities, and miscellaneous charges	-$3
		Miscellaneous costs assumed to drop with the sunsetting of NCOS. Amount adequate to fulfill Council mandate. Principal costs are telephone and courier services.	
$15	$0	Printing and reproduction	-$15
		No major printing projects anticipated for which the Council will bear full costs.	
$10	$2	Other services	-$8
		Funds reduced by $8,000 due to expiration of NCOS. Two thousand dollars is adequate for Council's coordination of materials policy. Amount provides for court reporter and transcriber services.	
$8	$4	Supplies and materials	-$4
		Funds reduced by $4,000 due to expiration of NCOS. Budgeted amount will provide ample funds for the Council's work in critical and advanced materials policy coordination.	
$20	$0	Equipment	-$20
		Needed equipment expenditures made in FY 1990.	
$397	$235	**Total all object classes**	-$162

THURSDAY, MARCH 29, 1990.

COUNCIL OF ECONOMIC ADVISERS

WITNESS

MICHAEL J. BOSKIN, CHAIRMAN COUNCIL OF ECONOMIC ADVISERS

Mr. ROYBAL. The committee will come to order. The committee is in session this morning to hear from the Council of Economic Advisers. I ask you, Dr. Boskin, to proceed in any manner that you may desire.

STATEMENT

Mr. BOSKIN. Thank you, Mr. Chairman, Congressman Skeen. I am pleased to be here before you today. The Council of Economic Advisers respectfully requests an appropriation of $3,064,000 for fiscal year 1991. In my judgment, the Council's requested appropriation represents the bare minimum amount the Council needs to carry out its responsibilities under the Employment Act of 1946 adequately.

This request represents an increase of $199,000, and let me just briefly go over how that is distributed. One hundred fifteen thousand of that is for personnel compensation and benefits. This includes the January 1990 pay raise of 3.6 percent and the executive level pay raise. It also includes the pay raise that will take effect in January of 1991.

The personnel budget I am requesting for fiscal year 1991 provides the minimum level of support necessary for the Council. Although the Council is committed to producing the best possible work in the most effective manner, it is becoming increasingly difficult to do so. As you may recall, Mr. Chairman and Mr. Skeen, the Council, since its inception in 1946 serving all the administrations since then of both parties, has traditionally relied primarily on academics from American universities being willing to take a year's leave of absence to come serve their country.

Academic salaries have outpaced inflation almost every year for the last 11 years, and we face increasing difficulty in recruiting quality economics from colleges and universities. We have a special problem in this regard since our largely academic staff, as I indicated, turns over once a year. And we pay no relocation expenses.

So in addition usually to taking this pay cut from an academic salary, the people have to pay their own relocation expenses. It is a major and growing financial sacrifice for CEA staff to serve for the traditional one year academic leave. I am pleased to report that we still have many people willing and able to serve their country in this regard, but it is becoming increasingly difficult and an increasing financial sacrifice for them.

We run a very tight ship, but keeping the ship afloat is difficult since our resources today are significantly less than in the past. The size of the staff is more than one-third smaller than it was in the mid-1970s, and is about the same size as when the Council was created in 1946. The shrinkage over the last 15 years is exacerbated by the increased role the Council has been asked to play in this administration.

In addition to CEA's usual membership in a variety of fora, such as the Trade Policy Review Group; the Cabinet Level Economic Policy Council; participation in the Domestic Policy and National Security Council meetings that deal with economic issues; chairmanship of the Economic Policy Committee of the OECD. The CEA now is one of the lead agencies on a number of working groups, and the chair of the working group on improving the quality of the economic statistics the government uses in reports it provides to the Congress, to the private sector, and so on.

I am also a member of the President's budget team, deputy coordinator of economic assistance to Eastern Europe, one of the five cabinet-level principals for the Structural Impediments Initiatives negotiations with Japan, and co- chair of the President's conference on the economics and science of global change. I do not mean to toot my own horn in saying that. I just mean to give you a range of representative things that we are required to do.

All of these and other projects involve considerable staff time, and the resources available to address the CEA's regular tasks — writing and producing the Economic Report of the President, analysis of current economic data, producing the Administration's economic projections—is increasingly stretched very thin.

I am requesting an additional $6,000 for travel, and I would like to spend a moment or two talking about that. Travel costs are increasing while the Council's necessary foreign trips are also increasing. With the increasing importance of trade issues, we now have more trips for OECD meetings as members of the negotiating team for the U.S./Japan Structural Impediments Initiative, and the frequency of our meeting with our colleagues abroad has increased.

Events in Eastern Europe and the Soviet Union have also increased our travel demands. The impact of these increased travel costs has been exacerbated by the budget reductions for travel in other agencies such as the State Department, which has limited their ability to cover CEA travel-related expenses for international travel.

We have economized as far as possible. For example, on domestic travel in general, I decline almost everything, but when I do accept a speaking engagement, I get reimbursed from a 501(c)(3) charitable organization. This year, for example, thus far we have been able to obtain an amount equal to our total travel budget through other U.S. agencies in 501(c)(3)s. USIA, for example, has paid for one of our trips to the structural impediments talks with the Japanese by our providing services to USIA and giving speeches and spending the weekend giving speeches and so on.

Labor, Commerce, Defense, and Agriculture have also contributed, but we still have to turn down invitations from foreign governments for official meetings overseas — ones that would be most beneficial to the United States were we able to attend.

The General Services Administration has increased CEA's rental charges by $17,000. It is solely due to increased charges per square foot for space. We are not requesting any additional space.

We are also asking for $15,000 in other services. Recently the Commerce Department's Bureau of Economic Analysis closed down their large scale econometric forecasting model, which provided services to CEA and other agencies. The increase—which is far less than the Commerce Department is going to save in this—so in toto, the government will save money by this change. But it does require us to absorb some of these costs in producing the Administration's forecast and other data services that the Council must utilize to assess and analyze economic trends, and to keep informed about current economic developments.

The remaining $46,000 increase is a restoration of $10,000 in supplies and materials and $36,000 in equipment. You may remember last year we discussed the state of the equipment in CEA. As a result of the absorption of the pay raise in fiscal year 1990, we had to delay some of our necessary supply and equipment replacement. Continued delays in replacing equipment are affecting our capacity to produce timely and high quality analyses and graphics, and a number of our personal computers will not support current versions of basic word processing and computational software.

This is important as Commerce and other agencies are asking us to take on things in the printing and preparation of various items that they had provided to us before, for example we provide every month through the Joint Economic Committee to all 535 Members of Congress monthly Economic Indicators—a compendium of all the economic data on the U.S. economy in our international transactions.

And we will have to this year move the production of the graphs and charts that Commerce had been doing for us for free in-house. So it will be necessary to develop the software and to additionally improve our equipment to handle that. We were able to make some necessary equipment improvements, and I certainly appreciate the strong support you showed for that last year. And it has enabled us to increase our productivity, in my opinion. But we still have some way to go.

That concludes my remarks, Mr. Chairman. I would be happy to try to answer whatever questions you may have.

[The information follows:]

STATEMENT OF MICHAEL J. BOSKIN
CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS
BEFORE THE
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE,
AND GENERAL GOVERNMENT
HOUSE COMMITTEE ON APPROPRIATIONS

Thursday, March 29, 1990

Chairman Roybal, Congressman Skeen and other esteemed Members of the Committee, I am very pleased to appear before you today. The Council of Economic Advisers respectfully requests an appropriation of $3,064,000 for fiscal 1991. In my judgment, the Council's requested appropriation represents the minimum amount the Council needs to carry out adequately its responsibilities under the Employment Act of 1946.

This request represents an increase of $199,000, which is distributed as follows:

1. Personnel compensation and benefits: I am requesting an increase of $115,000 for personnel compensation and benefits. This includes the January 1990 pay raise of 3.6 percent and the Executive Level pay raise. The $115,000 also includes the pay raise that will take effect in January of 1991.

The personnel budget I am requesting for fiscal year 1991 provides the minimum level of support necessary for the Council. Although the Council is committed to producing the best possible work in the most effective manner, it is becoming increasingly difficult to do so. Academic salary increases have outpaced inflation in 9 out of the last 11 years, and we face increasing difficulty in recruiting quality economists from colleges and universities. The Council faces a special problem in this regard since our largely academic staff turns over once a year, and we pay no relocation expenses. In short, it is a major - and growing -- financial sacrifice for CEA staff to serve for the traditional one year academic leave.

The CEA runs a very tight ship, but keeping that ship afloat is difficult since our resources today are significantly less than in the past. The size of the staff is more than one-third smaller than it was in the mid-1970s, and is now about the same size as it was when the Council was created in 1946. This shrinkage over the last 15 years is exacerbated by the increased role the Council has been asked to play in this Administration. In addition to CEA's usual membership on the Trade Policy review group, membership on the Cabinet-level Economic Policy Council, participation in Domestic Policy and National Security Council meetings that deal with economic issues, and Chairmanship of the Economic Policy Committee of the OECD, the CEA now is one of the lead agencies on a number of EPC working groups, and the chair of the EPC working group on improving the economic statistics. I am also a member of the President's budget team, deputy coordinator of economic aid to Eastern Europe, one of the five Cabinet-level principals for the Structural Impediments Initiative with Japan, and co-chair of the President's conference on the economics and science of global change. All of these and other projects involve considerable staff time, and the resources available to address the CEA's regular tasks -- the Economic Report of the President, analysis of current economic data, and producing the Administration's economic projections --is increasingly stretched very thin.

2. Travel: I am requesting an additional $6,000 for travel. Travel costs are increasing while the Council's necessary foreign trips are also increasing. With the increasing importance of trade issues, we now have more trips for OECD meetings, we are members of the negotiating team for the U.S./Japan Structural Impediments Initiative, and the frequency of our meetings with Japan's Economic Planning Agency has increased. Events in Eastern Europe and the Soviet Union have also increased our travel demands (As I mentioned earlier I am deputy coordinator for aid to Eastern Europe and I have also been asked to take a leading role in the President's offer of technical economic cooperation with the USSR on how market economies operate). The impact of these increased travel costs has been exacerbated by the budget reductions of other agencies, such as the State Department, which has limited their ability to cover CEA travel expenses for international travel. We have economized as far as possible on domestic travel--in general, I am able to accept speaking invitations only from 501(c)(3)

organizations that are able to pay travel expenses--and have been able to obtain an amount equal to our total travel budget through other U.S. agencies (State/USIA, Labor, Commerce, Defense, and Agriculture), but the CEA still has to turn down invitations from foreign governments for official meetings overseas.

3. Rental increase: The General Services Administration has increased CEA's rental charges by $17,000. This increase is due solely to increased charges per square foot for space. No additional space has been requested by CEA.

4. Other Services: I am asking for an additional $15,000 in other services. Recently the Commerce Department's Bureau of Economic Analysis closed down their large scale econometric forecasting model, which provided services to CEA and other agencies. The increase is for increased use of commercial forecasting models in producing the Administration's forecast and other data services that the Council must utilize to assess and analyze economic trends and to keep informed about current economic developments.

5. Supplies and Equipment: The remaining $46,000 increase represents a restoration of $10,000 in supplies and materials and $36,000 in equipment. As a result of the absorption of the pay raise in fiscal year 1990, we had to delay our necessary supply and equipment replacement. Continued delays in replacing

equipment are affecting CEA's capacity to produce timely and high quality analyses and graphics and a number of our personal computers will not support current versions of basic word processing and computational software.

Thank you for your consideration of this request. I am now prepared to answer any questions you may have.

BUDGET REQUEST

Mr. **Roybal**. Thank you, Mr. Boskin. In going over your budgetary request, we see that this year's request exceeds last year's by almost $200,000. I ask this question of almost everyone that comes before us. Because of fiscal restraints, we do not know what our 302(b) allocation is going to be. And it is only for that reason, that I ask this question, it is not a message that we are trying to deliver or anything of that kind. What impact would it have on your operations if the committee were not able to grant your request from the increase over last year?

Mr. **Boskin**. Well there would really be only one of three places we could economize. We could reduce our staff still further. As I indicated, it is more than one-third smaller than it was in the mid-70s at a time we are being asked to carry increasing responsibilities, which would mean in some areas we would not be able to provide to the U.S. Government sound economic analysis and advice.

We would have to carefully look at what those areas might be. We could postpone or rearrange the publication of Economic Indicators, reduce the detail in the graphic material that we provide. I would hope we would not have to do that, but that is a major expense. And it is going to be some additional expense in view of the rearrangement of responsibilities inside the Executive branch with Commerce unable to continue to provide us with the graphics for the service we provide to Congress and the Nation every month. We could stop going to various meetings. The United States has traditionally chaired the Economic Policy Committee of the Organization of Economic Cooperation and Development, and I chair it now. I guess we could stop going to that sort of thing.

Mr. **Roybal**. What I think it boils down to is that it will not totally cripple your operation. It will hamper it somewhat.

Mr. **Boskin**. Well it would hamper it substantially. But would it totally cripple us? As we are doing now, we would get by as well as we could, sir. As the President's chief economic adviser and as somebody who believe very strongly in making sure we use the budget appropriately, we have gone out of our way to try to make this as responsible a request as possible. Were there not this kind of fiscal stringency, we would be requesting that we move back toward the CEA's historic budget and staffing.

Mr. **Roybal**. Is this the amount that you originally requested?

Mr. **Boskin**. Yes.

Mr. **Roybal**. OMB actually granted your request.

Mr. **Boskin**. OMB granted the request, and they were quite aware of the fact that were this not a time with fiscal stringency, we would have been requesting moving back toward our historical staffing.

BUDGET DEFICIT PROJECTION

Mr. **Roybal**. All right. Now let us go into a little bit what the budget projection for the deficit for fiscal year 1991 is. What is that projection?

Mr. **Boskin**. The deficit projection is, depending on exactly how you do the counting, $63.1 billion—the Administration's deficit projection on the assumption that the President's budget were passed and implemented as proposed. Now obviously there are a variety of issues in that—initiatives and proposals in that budget that may or may not be passed, but the outlook—the official Administration forecast is just under $64 billion.

Mr. **Roybal**. What was the deficit for last year then?

Mr. **Boskin**. The deficit for last year was just under $150 billion.

Mr. **Roybal**. One hundred fifty billion dollars for last year, but you have projected $63 billion for this coming year.

Mr. **Boskin**. Well the Gramm-Rudman baseline against which this is being compared is—there are two years. Last year was fiscal year 1989. This year, the Gramm-Rudman target is 100. And the current projections are that we are going to fall a little short of that. And there is a controversy over how to treat working capital for RTC. But the Gramm-Rudman baseline is, I believe—correct me if I am wrong, Steven, around 115 to 120. The Gramm-Rudman baseline for fiscal year 1991 is, I believe, 88 or so. So it would require about $24 billion of additional deficit reduction.

Mr. **Roybal**. All right. What would be the short term and long term impact of budget deficits that exceed $100 billion?

Mr. **Boskin**. Well as you know, sir, as I have said in the past, I think it is extremely dangerous to have deficits of that order of magnitude. I believe that just because we have not had an economic apocalypse yet since we started running the large budget deficits that we have not had a big surge of inflation or a depression or anything of that sort that they chronically drain the Nation's scarce supply of saving. If they raise the cost of capital to American firms, then they can do investment in our investment in our international competitiveness.

Mr. **Roybal**. When will there be another review of the deficit? This is based on the fact that you had at the time that you came up with the figure of $63.3 billion.

Mr. **Boskin**. Well the normal time is that the mid-session review usually begins in April and as we go through an analysis or forecasting exercise, that takes a couple of months. And then we have a mid-session review of the budget published in early July.

Mr. **Roybal**. Do you really expect it to be 63.3?

Mr. **Boskin**. Well there have been some—well let me just say that partly that will reflect what Congress does in the intervening time. But also since we made the original forecasts, there have been a couple of negative economic events. The fourth quarter of 1989 was a little weaker and corporate profits were a little more sluggish. And since we made this forecast because of the events in Eastern Europe, particularly East Germany, interest rates have risen some. So if we had to make the forecast now—now let me be respectful of my colleagues that make the forecasts, Nick Brady and Dick Darman—but I think it is clear that this would add on the order of about—depending on exactly when we thought this would settle down—on the order of $6-15 billion to the original numbers. And of course it depends on how well the economy does between now and then and what the economy looks like it is going to be doing.

Our forecast for 1989 proved to be quite accurate. We were within a tenth of a percentage point on virtually everything we forecast. Now that was partly luck obviously being that accurate. I do not mean to suggest that we will do that every year. But this year there have been a couple of big surprises, but especially in the last couple of months the rise in interest rates that appears to be due to the anticipation of a big movement of capital around the world in Eastern Europe.

Mr. **Roybal**. All right. While this projection may be valid at this time based on the figures that you have, it does not appear to be very realistic. What is your opinion?

Mr. **Boskin**. Well, I do not know what you mean by "realistic." It certainly requires——

Mr. **Roybal**. Well——

Mr. **Boskin**. It certainly would require a very strong joint effort on the part of the Congress and the Administration to redouble efforts for serious multi-years toughen deficit reduction.

Mr. **Roybal**. Well something that Chairman——

Mr. **Boskin**. And that accommodated by the Federal Reserve.

Mr. **Roybal**. Chairman Whitten always tells us then the last 40 years, the Congress has been below the budgetary recommendations in every year, with the exception of four years.

Mr. **Boskin**. Yes. He told me that too, sir.

Mr. **Roybal**. Now somewhere down the line, there are some discrepancies here somewhere. Do you care to voice an opinion?

Mr. **Boskin**. Well, I conjecture that there are, as in most instances, discrepancies bear numerous causes. Obviously sometimes the economy has done better or worse than forecasts. Sometimes the amounts that have been appropriated—there was a period prior to the Impoundment Act and so on where probably there were differences between what the Administration spent and what had been appropriated. I am not an expert on that. I cannot really say for sure. There is also the revenue side when you look at the deficit and so on. And that reflects a variety of things.

Mr. **Roybal**. To go back——

Mr. **Boskin**. But I certainly do appreciate the attempts at fiscal responsibility that the Appropriations Committee is able to foster.

Mr. **Roybal**. Mr. Skeen.

Mr. **Skeen**. Thank you, Mr. Chairman. Dr. Boskin, I do not envy you your job. One of the toughest things to do is get a good gauge on what we are talking about, because we do not have any real standards around here. You either have to make them up, or you have to give them the data and let them make their own estimates. But let me ask you, while we are talking about this, your opinion and give us the benefit of your thinking.

Congress is fond of this idea of taking things on budget, off budget, depending on where they want to put it. The social security debate is raging over whether it should be on or off budget. We have been playing with the Postal Department about whether it should be on or off budget. How do you feel about this?

Mr. **Boskin**. Well, the Administration has a position on each of these, so let me just give a general overview.

Mr. **Skeen**. You can stay with it, or you can give me your personal opinion. It does not matter.

Mr. **Boskin**. Let me just give you a general overview, which is that the most important thing in terms of the impact of government spending and taxes and therefore the deficit on the economy is the total amount of spending and the total amount of receipts and their difference. Because that deficit reflects how much the government will have to go to the private credit market to borrow. And that is what will affect interest rates and the economy. So the place to start is with a consolidated notion.

Now there may be other reasons, political or jurisdictional, or ways people feel that programs can be protected or spending can be controlled and things of that—more or less stringent ways that would lead people tactically to make that suggestion. But in general, we ought to be looking at the total—all of what the government spends and all of what the government brings in in taxes and users fees and other charges, and their difference. And that difference is the best measure of the impact on the economy.

So in general, I think the moving of things on and off budget ought to reflect other considerations, not economic ones. I personally always start with a look at the consolidated financial position of the government.

Mr. Skeen. That is very interesting, because I think that that comes up with a truer picture of what you are trying to do rather than business of well, we can put the pea under this shell this time, or we will move it over here and put it under another one, because there are other reasons. And I think that approach is very good. And I am really concerned about this idea, and I think you expressed it well. The budgetary receipts and expenditures are on budget, off budget. You are not doing this with the receipts.

What in effect is what you spend, what you bring in, and what you have is the difference that gives you a truer picture of where we are going economically or where we are going in the deficit. And I do not know that we ever really have a real gauge on what we are talking about as deficit. If we had to lay it all on the line—everybody is always talking about truth—this truth in debt. And I think it would scare the living whoever out of everybody in the United States if they knew what we have guaranteed for and what we had, if we laid it all out on the line to them.

Mr. Boskin. That is a very good point, if I could comment on that for a minute.

Mr. Skeen. I invite your comment. Toot your horn.

Mr. Boskin. There is nobody in the Administration more in favor of providing the most comprehensive financial picture that we can than myself, and I might say also Dick Darman. In this budget we have, even though it is a long thick budget, we have made much more extensive discussion of what might be called "contingent liabilities" if loans go bad or various things of that sort than in the past. And we would like to be able to move to an accounting system and a financial management system that does even better in this regard.

So I think you are quite correct that there are a lot of contingent liabilities or potential future hidden costs and so on. That is very important to keep in mind in the proper financial management of the government.

FEDERAL ACCOUNTING SYSTEM

Mr. **Skeen**. I am amazed at the federal accounting system. Now it is a patchwork of everybody's idea in whatever agency we are dealing with. And we have talked about Generally Accepted Accounting Principles being adopted government-wide. And I am assuming from what you said that you believe that this is probably a sanguine approach to the thing.

Mr. **Boskin**. Well we would be very interested, and we have had some general discussion in the preparation of the budget and so on of trying to move to more consistent and more reasonable accounting procedures. We have had a major effort to have the inspectors general of the different departments analyze all the potential risks and exposures, financial and otherwise, of the departments. And OMB has been analyzing those. So I think you are right on target in terms of——

Mr. **Skeen**. So there is an ongoing effort to do this and implement that kind of a thing.

Mr. **Boskin**. There is an ongoing effort in terms of exactly how to do this. There are controversies overriding things. Should you count the maximum exposure of the government or get some sensible notion of a reserve against some future liabilities? All those are difficult issues. But there is an ongoing effort to get some better management of that process and hopefully we will be able to work with Congress in making some improvements over the years.

Mr. **Skeen**. We would like to help you do that. We have talked about your ADP system and so forth. These agencies, such as Commerce, that request additional service from you in data processing and promulgation and so on, do you charge any of them for the service, or do you just extend the service?

Mr. **Boskin**. Well there are some things we do quid pro quo, but I might have not been perfectly clear. There has been—is it since 1946, I guess—since the Council began doing this, the Commerce Department actually provided some services for free to the Council. The printing of——

Mr. **Skeen**. Now they want you to pay it off.

Mr. **Boskin**. The charts and the economic indicators that each of you receive monthly had been done by Commerce for us. And we had done some things for them. But basically now they are unable to do that. And we are going to bring that into the CEA and do it ourselves.

Mr. **Skeen**. Is it because they do not have the ability to put together this kind of information, or is it rather out of their field? They want the data, but then this is more in your line of——

Mr. **Boskin**. I think it is basically that they have to make budgetary choices as well on everything.

Mr. **Skeen**. I see. I know, because we have talked. We are very interested in almost all of the automation and data processing throughout, because we find ourselves when we get into a money crunch we are taking it out of automation and putting it in personnel, which is probably your first responsibility to keep your people together. But we are putting ourselves in a tremendously disadvantageous position in these days of automation, and I do not know that any operation as large and as unwieldy as the Federal Government could sustain itself long if it did not have good data processing.

Mr. **Boskin**. Well I think that is correct. You mentioned earlier our accounting system. We do not have a capital budget, for example. And while there would be numerous pitfalls of moving to an analogous kind of capital budget as the private sector does, but this may be one reason. The importance of such things is not highlighted anymore.

Mr. **Skeen**. You have got $250,000 in this budget, or you say that you need $250,000 to upgrade your equipment. Would this put you pretty much even with it, or are you still a little behind?

Mr. **Boskin**. Well I think it is not exactly even, but it is getting close.

Mr. **Skeen**. Yes. Do not be too optimistic.

Mr. **Boskin**. It will mean that we will have far fewer bottlenecks. We will not have secretaries that cannot handle the material that is done by the senior staff and things of that sort, because their machines cannot handle the same programs and things of that sort.

INTERNATIONAL SEMINARS AND CONFERENCES

Mr. **Skeen**. How many international seminars and conferences do you do on the average in a year with the CEA?

Mr. **Boskin**. Well——

Mr. **Skeen**. Does it——

Mr. **Boskin**. Let me start with the ones that we are required to do as sort of——

Mr. **Skeen**. Yes. Let us do that.

Mr. **Boskin** [continuing]. Our normal role.

Mr. **Skeen**. These are mandated.

Mr. **Boskin**. Well the United States participates in the Organization of Economic Cooperation and Development, the OECD. The CEA Chairman traditionally chairs the Economic Policy Committee which sets broad policy for the OECD, which leads into the EEP-7 summit and things of that sort. They try to have three meetings of that a year, and I keep it to two. There are several different working groups of that, which the CEA chairs one and participates in another. So that would be six of those total. Now the State Department pays for part of those expenses.

But then there are a variety of meetings that traditionally occur between the CEA and counterpart advisory agencies and other government——

Mr. **Skeen**. Other nations.

Mr. **Boskin**. Other nations—Japan, Germany, United Kingdom, et cetera. We have kept those to a minimum. Thus far this year, we have had one.

Mr. **Skeen**. Well it is essential that you be there.

Mr. **Boskin**. Well I think they are very, very helpful. Mr. Skeen. Well we do not have a local economy anymore. It is a worldwide economy.

Mr. **Boskin**. Well that is correct. And this year in particular with trade so important, we have these Structural Impediments Initiatives negotiations with Japan. The CEA is one of the five agencies.

But not having an additional travel budget, we do things like give speeches for USIA to pay the airfare to Tokyo.

Mr. **Skeen**. How many agencies do you serve? Any agency can make a request on you for this kind of data or economic projections and things of that kind? Or if you have economic summit meetings or things of that kind.

Mr. **Boskin**. Well when the President has the economic summit for example like he will in Houston this year, we participate in the interagency process to assist in the preparation for it. When there are analyses that are done, they are usually widely shared with other agencies. Sometimes those analyses are done solely by the CEA, sometimes in conjunction with the Treasury or Agriculture or some other agency. It depends on exactly what it is.

For example, last year we spent a lot of time trying to figure out what the impact of the drought in late 1988 was doing to the economy and would do to agricultural prices and so on so we could get an idea of how entrenched inflation really was and how much of it was temporary. And we obviously cooperated with other agencies in that regard, such as Agriculture.

Mr. **Skeen**. I am an expert on droughts, so if you would like some information. Thank you very much. Dr. Boskin. We appreciate your responses. Thank you, Mr. Chairman.

Mr. **Boskin**. Thank you, Mr. Skeen.

BALANCE OF TRADE

Mr. **Roybal**. Mr. Boskin, with regard to the balance of trade, what is the short and long term impact on the large deficit in the balance of trade?

Mr. **Boskin**. It is my own opinion that the shortfall of how much the United States saves as a nation—the sum of what households and businesses through their retained earnings and government—even which unfortunately are borrowing chronically from our modest investment level is a prime determinant of our international imbalance or trade deficit—our multilateral trade deficit, and that the biggest component of that low national saving is the Federal budget deficit. Now that does not mean automatically if we reduce the Federal budget deficit that our trade deficit will go away.

Mr. **Roybal**. That is right.

Mr. **Boskin**. The Australians and the United Kingdom have started to run budget surpluses, but they still have balance of payments problems. But that is because while they got their saving up, either investments spurted or their private savings fell. So if we get the budget deficit down and maintain a strong economy, and we do it in a way that does not hurt private saving—either household or business—then in my view on average, that would be the single best thing we could do to reduce our trade deficit.

Over the long term, we need to improve our productivity. We have the highest absolute level of productivity. And it has rebounded some. Productivity growth has rebounded some from the abysmal level of the 70s. But we have a long way to go, and that is going to require an improved education system so our workers have better skills in the future. It is going to require more investment and more——

Mr. **Roybal**. But at the present time, what is being done to correct the deficit in the balance of trade?

Mr. **Boskin**. Well there——

Mr. **Roybal**. When we were talking, you said we could do this or we could do something else. But what is actually being done now?

Mr. **Boskin**. Well in addition to the attempts being made in the Congress and the Administration to deal with the budget deficit, you are a better judge than I on what the final outcome of that will be. There are a variety of specific items that we are attempting to accomplish. I think any economist would say that these are important in and of themselves, but they are unlikely to cause a major reduction in the overall trade deficit.

We have some market opening initiatives with the Japanese—the SII negotiations; the SII talks; the 301 negotiations; other bilateral discussions with other countries trying to improve market access. We have the Uruguay Round of the GATT trying to bring 15 areas currently outside the world based trading systems into it to expand world trade, which has been a primary promoter of world growth. So there are a variety of things, whether under the Omnibus Trade Act of 1988 or ongoing multilateral responsibilities.

But I think any serious analysis would indicate that this will only have a small impact, that the major impact has to be the United States saving more and financing our own investment, and therefore having a saving rate sufficient to finance our own investment, and therefore reducing the need on balance or net for importing more than we export and importing capital to finance it.

Mr. **Roybal**. When you get all this information together and you are going to advise the President, it seems to me that it would take a long time for anyone to absorb what many of you did over a period of months. How do you advise the President? What procedure do you use so that the President can absorb all of this and be able to act on it? It seems to me to be quite a job.

Mr. **Boskin**. Well I appreciate that. We work very, very hard to provide the information in succinct usable form to the President, and also to our colleagues. I also try to be intelligible when I testify to Congress. I hope I am. And when we write the Economic Report of the President and things of that sort. We have a variety of things.

I brief the President virtually every evening on the economy—usually in writing, sometimes in person. We have various meetings—sometimes private, sometimes in a small group that would usually include the other major economic advisers in the Administration like the Secretary of the Treasury, the OMB Director, and so on. Sometimes at cabinet council meetings when specific policy issues are being discussed, like the Economic Policy Council, or if there is an economics issue related to national security, the National Security Council.

Often he will be quite interested in something that I have mentioned to him or I have sent over in a note, and he will call and we will talk about it. Or he will send the note back asking me to clarify. So he is awfully busy covering a lot of things in addition to the economy, but it is a delight for me to work for somebody who is so interested and is able to absorb so much.

Mr. **Roybal**. Which means of course that you as an adviser, the Chairman of Council of Economic Advisers, you are only one of many. And it is quite amazing to me that any individual can really gain, not on expertise, but a working knowledge of what the situation is in the complexities of economics. And you must be a very excellent adviser and very excellent teachers to be able to do that with any individual.

Mr. **Boskin**. Well I appreciate that commendation. All three Members of the Council of Economic Advisers have taught at universities and won teaching awards and things of that sort. It is a different type of thing than lecturing a big class or something of that sort, but we take great pride in trying to provide the soundest possible analysis and advice in the most usable way.

Mr. **Roybal**. It seems to me it would be a lot easier than dealing with a large class.

Mr. **Skeen**. I do not know. It might be just the reverse. [Laughter.] Or it could be in the room for that matter.

Mr. **Roybal**. One last thing. I am very interested in what you are doing, and I have great admiration for teachers, incidentally.

Mr. **Boskin**. Well, thank you, sir.

Mr. **Roybal**. Of the professions that I have great admiration for, number one is nurses, and then right behind nurses is a teacher.

Mr. **Boskin**. Well, thank you very much.

FOREIGN OWNERSHIP

Mr. **Roybal**. That is why I am asking these questions. But there is one last thing that I would like to take up with you, and that is the fact that foreign ownership seems to be in the minds of a lot of people—at least of my constituency. Why are they spending so much here? What is your assessment regarding foreign ownership of the public debt, for an example? And of land and other fixed assets in the United States?

Mr. **Boskin**. Let me start by saying that foreign ownership of our Treasury securities is a modest fraction of the total. Foreign ownership of our land and our factories is a very small fraction of the total, and as a matter of fact is a much smaller share of the value of those assets of our GNP than it is in almost any other advanced economy, a notable exception being Japan. But foreign ownership in Germany or the United Kingdom or France is much larger as a share of their GNP than foreign ownership is here.

Mr. **Roybal**. But we also own things and part of the economy of other countries, do we not?

Mr. **Boskin**. That is exactly right. That is the next point I was going to make. It is a two-way street, and it should be a two-way street in an increasingly global marketplace in world economy. We certainly have a substantial amount of foreign investment abroad. U.S. direct investments abroad—if you adjust it for the fact that it is carried on the books at historical costs rather than replacement cost and readjusted to market value—it seems to be about equal to foreign investment in the United States.

Mr. **Roybal**. Then this concern that is constantly expressed is not really well-founded, is it?

Mr. **Boskin**. I think a big part of it, Mr. Chairman, is that it is a relatively new phenomenon in the United States. And in the 50s and 60s when the rest of the world was rebuilding after the war and there was a large American investment—private investment—overseas, I remember reading books about how the French complained bitterly that this would destroy French culture and would Americanize France and destroy Europe. And it has turned out to be good for both the French and the Americans.

But I think it is a relatively new phenomenon in the U.S. Until people get more familiar with it, I think it is going to be a source—as most uncertain things are—of some anxiety. Of course it is sometimes geographically concentrated. And so if foreigners buy several office buildings in one city or something, that gets a lot of attention.

Mr. **Roybal**. So it is not anything to be really concerned about.

Mr. **Boskin**. As a general issue, no. I think that we ought to welcome foreign investment in the United States.

Mr. **Roybal**. Have you written, or has anyone written, an article of any kind that deals with that specific problem? Could that be made available to this committee?

Mr. **Boskin**. I will make sure that you get it as soon as possible. There is a small section on economics for the President trying to explain these data and so on. And I will make sure the committee receives it——

Mr. **Roybal**. We appreciate that.

Mr. **Roybal**. Mr. Boskin, we would like to thank you for——

Mr. **Skeen**. I would like to——

Mr. **Roybal**. Do you have another question?

Mr. **Skeen**. I would like to continue just for a little bit, Mr. Chairman, in that vein. I was going to ask the parallel question to that. The trouble we find is that everybody wants to quantify these investments, which I think is a terrible mistake. Because if you do not also go back and decide what they are identified as to what types and so on, it is meaningless. Because everybody is looking for the alarm level. When do we get alarmed about foreign investments in this country? Is it 18 percent of the total debt, or some percentage? I do not think you can express it that way. And I have real problems with that.

But the news media loves to have a convenient handle, and if you do not give a convenient handle, then it means that they have got to stretch to express it.

Mr. **Boskin**. That is one of the things I have learned since coming here, sir.

Mr. **Skeen**. Well you learn a lot coming here, especially when you start talking to media people and they want a trigger mechanism all the time. And it is a little disconcerting. And your historic reference about it is a new phenomenon. It is really not. It is one we forgot. This country was built on foreign capital.

Mr. **Boskin**. That is correct. In the 1960s——

Mr. **Skeen**. The biggest development in the west were done with British capital.

Mr. **Boskin**. That is right.

Mr. **Skeen**. Owned more ranch land than any other groups anywhere in the United States, operated them for almost 100 years, and then sold them off. And we forget these things. Texas was almost entirely owned at one time, believe it or not, Mr. Chairman, by foreign investors. And so I think it is something that we have——

Mr. **Boskin**. That is a very valid point. And I should have taken my economic history back.

Mr. **Skeen**. No. You are exactly right, but we just forget about it.

Mr. **Boskin**. That is right.

Mr. **Skeen**. We forget what it took.

Mr. **Boskin**. And British investment built the railroads in the United States.

Mr. **Skeen**. Absolutely. If it had not been for them, we would have never built a railroad. So we have to relearn that lesson. But we became so nationalistic, and then we became also the proud possessors of a great nationalistic hubris about we can do anything. Our status of living is better than anybody else's. We are the greatest producers in the world. And then all of a sudden we found ourselves in the world market, and we had real tough competitors. We have not been really happy about it.

But I am just delighted that you covered this point, because I think we are focusing too much on what is the impact of foreign investments. My view is, if you cannot move it, go ahead and sell it to them.

[Laughter]

Thank you, Mr. Chairman.

Mr. **Roybal**. Mr. Boskin, I would like to thank you for your testimony.

Mr. **Boskin**. Thank you. It is a pleasure always, Mr. Roybal.

[Questions for the record and the justifications follow:]

Responses to Questions for the Record
by Michael J. Boskin
Chairman, President's Council of Economic Advisers

Responses to questions from Representative Daniel K. Akaka

FOREIGN INVESTMENT

1. There is growing concern over the increase in foreign investment in the United States. A number of federal agencies collect data on foreign investment. However, the data is not organized and available for analysis by the appropriate government office. Representative Sharp has introduced legislation, H.R. 4060, to merge data collected by federal agencies--especially the Bureau of Economic Analysis and the Census Bureau. The data would only be available to the executive branch, GAO, and the Committee on Foreign Investment in the United States.

Q: Do you see the need for improvements in the collection and organization of foreign investment data?

A: Yes. Foreign investment data was one of the priority areas for data improvement cited by the President's working group on economic statistics that I chair. International investment is a perennially significant issue for policy, yet our estimates are plagued with inaccuracies that distort and bias analyses of the data.

Investment and saving rates are critical factors in economic growth, international trade flows, economic stability, and national wealth. Understandably, our level of saving and investment, particularly in relation to other countries, has been central to the debate on tax, budget, and trade policies. Yet our estimates of saving and investment are not internationally comparable and may be seriously misleading. For example, official estimates of the net international debt of the U.S. receive much attention in Congress and the press. Yet recent studies suggest that the official estimate is overstated by roughly $300 billion.

Q: Has the organization developed any proposal to eliminate gaps and distortions in data collection which prevents us receiving a truly comprehensive view of national foreign investment?

A: Yes. The Working Group which I chair included among its interim recommendations that the statistical agencies estimate direct investment using market values or replacement cost rather than historical cost and address problems with the measurement of international portfolio investment and other capital flows. The Working Group is now at a stage where it is awaiting detailed responses from the statistical agencies as to how they intend to integrate these suggestions into their ongoing plans for improvement and the specific methods by which they hope to address these issues.

In addition, to these plans, the Administration has a proposal under review, which is similar to H.R. 4060 in its objective of sharing data between the Census Bureau and the Bureau of Economic Analysis. However, this sharing is limited to the two statistical arms of the Commerce Department--BEA and Census--for purposes of improving the quality and consistency of the aggregate estimates of foreign investment. Representative Sharp's bill, on the other hand, would allow other federal agencies access to confidential data from specific companies for analytical and regulatory purposes.

One of the fundamental principles of the United States statistical system is assuring that the confidentiality of the data submitted by individuals and firms is protected. The more widely such data are disseminated among non-statistical agencies, the more difficult it is to assure that its confidentiality is protected. Furthermore, the Committee on Foreign Investment in the United States (CIFIUS) has regulatory responsibilities, and sharing data with the Committee could seriously erode the integrity and accuracy of the Commerce Department's data collection effort.

EXCHANGE AND INTEREST RATES

Q. What do you believe is the proper course for the Fed to follow regarding interest rates?

A. The Administration and the Federal Reserve agree that both monetary and fiscal policies should be directed at achieving the highest sustainable level of economic growth. The Federal Reserve can do its part to achieve a permanently lower level of interest rates by gradually and predictably reducing inflation. The Executive Branch can promote growth by reducing the Federal Government's drain on private saving due to the budget deficit. Doing so would reduce interest rates to more normal levels.

Q. Do you feel that monetary policy can have a long-term, substantive impact upon our balance of trade?

A. The balance of trade is primarily a result of the relationship between national saving and investment. Investment is determined by the expected profitability of capital and the cost of capital, while national saving is a result of private saving decisions by households and businesses and the budgetary position of the government. Monetary policy has a complicated effect in this process. For example, as noted above monetary policy can affect interest rates and therefore the cost of capital. In addition, monetary policy also can help the United States remain competitive in world markets by promoting financial conditions conducive to economic stability and growth. However, appropriate fiscal policies can have a more direct, tangible effect on the balance of trade by increasing national saving.

GLOBALIZATION OF CAPITAL MARKETS

Q: Do you anticipate any adverse impact upon the American market as a consequence of the instability of the Tokyo exchange? Why, or why not?

A: Thus far, the drop in the Japanese market has not shown any real signs of spreading to other countries. As of March 29, 1990, Morgan Stanley Capital International Perspective reports that the Japanese market had fallen 23.3 percent since the beginning of the year. The U.S. market had only fallen 3.4 percent, the U.K. market only 6.8 percent and the West German market had risen 10.1 percent.

Many analysts have claimed that the Japanese market is overpriced relative to fundamental values. Whether this is true remains to be seen -- in particular, the value of Japanese stocks is closely linked to the value of Japanese real estate, and it is not yet clear what real estate prices will do in the near future. However, to the extent that overvaluation is partially responsible for a "correction" in the Japanese market, this would seem to be a Japan-specific adjustment. Stock prices in other countries (including the U.S.) are much more modestly priced in relation to earnings and cashflow than are Japanese stocks. U.S. price-earnings multiples are very much in line with their historical norms. Thus there is no good reason to expect Japanese share price movements to trigger anything similar in the U.S.

Q: Do you see any convergence in world interest rates?

A: Nominal interest rates in the U.S. and Japan have indeed moved closer together in recent months. Japanese long-term government bond rates have risen to over 7 percent after ending 1989 at just under 6 percent (And after ending 1988 at just over 4 percent). The long-term bond rate in the U.S. now stands at about 8.6 percent, up from 8 percent at the end of 1989. So the gap has clearly narrowed a bit.

However, some care must be taken in drawing implications for the U.S. from these movements in nominal rates. For example, the rise in Japanese nominal rates may be due in part to raised expectations of Japanese inflation. If this is the case, there is no reason to expect the rise to be transmitted to the U.S., provided U.S. inflation expectations remain stable.

German bond rates have also been trending upwards. They are now near 9 percent, up from about 7 3/4 percent at year-end 1989. Analysts have attributed the rise in part to expectations of increased demand for capital stemming from German re-unification plans. Again, however, this increase need not foreshadow any further movement in U.S. rates -- the information about re-unification should by now be already impounded into both German and U.S. long-term rates, as well as those of other countries.

Responses to Questions from Representative Bill Lowery

COUNCIL'S WORKLOAD, PERSONNEL AND BUDGET REQUEST

Q: In your testimony, you cited the difficulty in recruiting top economists for the Council. Does the excitement of serving as an economist for the President help you in your recruitment efforts? Has your personnel budget prevented you from getting some of the people you wanted?

A: The difficulty in recruiting I cited in my testimony was in reference to last year. Since I gave that testimony last month, I have discovered that recruiting this year is even more difficult than last year. The excitement as serving as an economist for the President does help in our recruiting efforts, but our staff positions are just that--staff positions. Senior staff are objective "behind the scenes" analysts and do not receive the attention or have the impact on policy decisions of many political appointees. Thus the attractiveness of these positions is less than one might expect. Also the financial losses (in pay and in the fact that the Council cannot pay moving expenses) and personal disadvantages of having to relocate one's family for such a short period of time often outweigh the career benefits of working at the Council. This year we are experiencing very real difficulties in recruiting from academia, and are increasingly relying on economists from the Federal agencies. It would be unfortunate, indeed, if in the future the Council were to lose the unique input provided by economists from academia.

Q: What pay rate do economists receive at the Council?

A: Economists at the Council currently receive an average pay of $52,000, significantly below the average compensation for the type of up-and-coming economists the Council seeks to attract.

Q: Has the Council's increased workload reduced your ability to do quality work?

A: No, but it certainly has increased our productivity (e.g., hours worked/number of reports and analyses produced per CEA staffer). Certainly this is sustainable in the short-run, but if CEA is to continue to operate with the current workload, over time there will have to be an increase in the CEA staff back toward the levels of the mid-1970s, when the Council staff was one-third larger than it is today.

Q: What was your budget request to OMB? Do you think the figure presented today is adequate?

A: The budget request you see before you is essentially the same one requested from OMB. As I noted above, the figure presented today puts a large burden on our staff, but for the current year it is adequate.

FEDERAL BUDGET AND ECONOMIC ISSUES

Q: What is your reaction to the Congressional Budget Office's (CBO) assertion that the FY 1991 deficit will be $131 billion rather than the $61 billion projected by the President?

A: The basic difference between the Administration deficit projection and the CBO projection is the underlying economic assumptions. The Administration's believes that its economic forecast is a sensible projection of the underlying strength of the U.S. economy. In contrast, the CBO continues its recent pessimism concerning the prospects for economic growth. In addition, the Administration's economic forecast and budget projections are fundamentally intertwined. The budget deficit clearly depends upon economic conditions. But the anticipated economic conditions, particularly the level of interest rates, are also contingent upon implementation of the President's policies. We must move forward with the Administration's proposals to improve economic growth in the United States.

Q: Can we achieve a budget surplus by 1993?

A: Yes. It is essential that we reduce the growth rate of Federal outlays. Through a combination of continued fiscal discipline and an improved climate for economic growth, the Federal deficit can be eliminated by 1993. This, however, is not enough. We should, by adopting the proposed Social Security Integrity and Debt Reduction Fund, lower the legacy of past deficits by reducing the national debt. Retiring Federal debt would release to the private sector funds to finance purchases of corporate stock, corporate bonds or other financial instruments. These funds would, in turn, be used for increased capital expenditures. This additional capital would provide substantial additional GNP to be used for a wide variety of private and government purposes. Among others, the additional national output would ease the burden of meeting the retirement costs of the baby boom generation.

CAPITAL GAINS TAX

Q: What benefits can we expect to see from a reduction in the capital gains tax?

A: Restoring the capital gains tax differential, which existed prior to the Tax Reform Act of 1986, is a key component of the Savings and Economic Growth Act of 1990--a package of Administration initiatives designed to remove impediments to saving and investment, to encourage innovation and entrepreneurship, and to enhance economic growth.

The Administration's foremost priority is to achieve the highest sustainable rate of economic growth, creating rising standards of living for the bulk of the population, economic and social mobility to our citizens, a better legacy to our children, and maintaining America's leadership.

Increasing the rate of growth of living standards will require higher rates of saving and investment. Yet longstanding government policies impede national saving and investment. Taxes are a large component of the cost of capital and produce a strong bias against equity finance in the United States. Taxes on capital gains increase capital costs for equity finance, while reducing the return to investors. Lowering the capital gains tax rate will lower the cost of capital.

The high cost of capital is a particularly onerous problem for new ventures and small businesses, which have only limited access to traditional sources of finance. Much of the return to entrepreneurs and their backers who bring new products to market--particularly through new business formation--comes through increasing the value of the business. Reducing the tax rate on capital gains will reward those who bring successful ideas to market and will help improve the climate to invest in new technologies and products, thereby creating jobs. During the current record-breaking economic expansion, as throughout U.S. history, most jobs have been created by small and medium-sized firms. Lowering the capital gains tax rate will encourage entrepreneurs to start new businesses to develop new products for new markets here and abroad. Lower capital gains tax rates will encourage risk-taking, raise investment, improve competitiveness, and spur economic growth.

MAQUILLADORA INDUSTRY

Q: The Maquilladora industry is rapidly growing in Northern Mexico. Many U.S. Corporations have built assembly plants in Mexico, and the Japanese are also establishing a major presence there. Last year, you told Congressman Skeen that you had not really examined this issue, have you had an opportunity to look at the benefits and risks of establishing a U.S. industrial presence in Mexico?

A: The maquilladora industry, formally known as the Border Industrialization Program was started in 1965 by the Mexican government. It takes advantage of U.S. trade items 806 and 807 by allowing the duty-free import into Mexico of raw materials which are to be re-exported under the U.S. trade provisions, free of duty except on the value added by Mexican labor. The materials in question remain "in-bond" while in Mexico. By 1989 there were over 1500 maquilladora plants in operation.

The most obvious advantage to this program is that American manufacturers can take advantage of much lower Mexican labor costs and therefore produce items which are more competitive both in the United States, and on the world markets. Mexico benefits through the training and employment of its workers, improving wages and employment opportunities in Mexico and therefore reducing the incentives to emigrate to the United States. In addition, when Mexico is financially healthy, it is more stable politically and more likely to repay outstanding debts to the United States Government and to American commercial banks.

There are, of course, some risks and disadvantages to the program, but they are small in comparison to the benefits. The disadvantages are the transportation costs to and from the Mexican plant, duty paid on the value added, and the depreciating Mexican peso. Costs are minimized by locating the U.S. component just across the border from the Mexican plant, sometimes only miles apart. The currency risk has been much reduced from past levels as the Mexican economy stabilizes and reform of the financial system continues. Other risks include the possibility that labor demands may reduce the wage differentials, changes in the laws governing maquilladoras or at worse, the risk of losing the investment in plant and machinery of the Mexican government nationalizes an industry. As in the United States, there is no real protection against demands for higher wages, but the high levels of unemployment in Mexico and the minimal skills required for maquilla work tend to reduce demands for higher wages. Nationalization of private industry would be costly to Mexico. Much of the recent trade liberalization and aid in solving the debt crisis has been a result of Mexico's increased emphasis on markets and reduced role for the government, achieved under President Salinas.

While it is true that the Japanese have been setting up assembly plants under the Border Industrialization Program, their presence in Mexico is not a real threat for several reasons. There are currently only 60 Japanese maquillas in operation, which represents only 8 percent of the total maquillas. 52 of these imported their capital from Japan; 8 imported capital from the United States. Clearly, from these numbers their presence is too small to be a real threat to American maqillas or firms located in the US. While some of these Japanese maquillas do supply components to American firms, many of them have been suppliers well before they moved to Mexico. Low priced components improve the competitiveness of American manufactures. It is unclear where the Japanese maquillas obtain their raw materials, but most likely they come from the United States for two reasons:

1. Lower transportation costs, convenience and more established infrastructure for cross-border trade.

2. Much more importantly, in order to take advantage of items 806/807 and receive the duty-free status on import into the US, goods assembled in Mexico must be of US-made components.

Maquillas supplying Japanese firms located in the United States (like Sony of US) will therefore be required to use American-made raw materials. Therefore, while these Japanese maquillas may be avoiding quotas and import tariffs into the United States, they are using American components and transportation and adding to the business of the American firms that supply these.

DEFENSE BUDGET REDUCTIONS

Q: Has the Council studied the various scenarios for reducing defense spending and their potential economic impact? How should our government proceed in the scope of spending reductions to minimize the negative economic impact?

A: While the Council of Economic Advisers does not have an ongoing study devoted to defense spending, there is no reason to anticipate serious economic disruption should Federal outlays for defense decline in the future. Under the President's program, defense outlays will fall from a recent high of 6.5 percent of GNP in fiscal 1986 to 4.2 percent in of GNP, in fiscal 1995. Historically, the U.S. economy has been capable of absorbing far more dramatic declines in defense spending than are likely to occur over the next several years.

Between fiscal years 1944 and 1947 defense spending fell from 39.1 percent to 3.7 percent of gross national product (GNP). Following the Korean conflict, defense spending fell from 14.4 percent of GNP in fiscal 1953 to 10.2 percent in fiscal 1956. Finally, the share of defense outlays in fiscal year GNP fell from 9.6 percent in 1968 to 6.0 percent in 1973. In each case, the flexibility of a market economy permitted a transition to lower defense spending with little economic disruption.

This is not intended to minimize the importance of changes in local economic conditions due to, for example, closing of particular military installations. State and local governments, however, are far better equipped than the Federal government to identify areas of pressing need and to move rapidly to assist economic adjustment.

Executive Office of the President
Council of Economic Advisers
Congressional Submission
FY 1991

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GENERAL STATEMENT

Executive Office of the President
Council of Economic Advisers

The activities of the Council are set forth in the Employment Act of 1946. They include the following:

1. To assist and advise the President in the preparation of the Economic Report.

2. To gather and analyze timely information concerning current and prospective economic developments and report regularly to the President on the relationship of these developments to the achievement of maximum employment, production, and purchasing power as prescribed in the act.

3. To appraise and report to the President on the extent to which the various programs and activities of the Federal Government contribute to the carrying out of the purposes of the act.

4. To develop and recommend to the President national economic policies to foster and promote competitive enterprise, to avoid economic fluctuations, and to maintain maximum employment, production, and purchasing power.

5. To make such studies, reports, and recommendations on Federal economic policy and legislation as the President may request.

In carrying out these duties, the Council consults regularly with other government agencies and departments, as well as the Congress, and representatives of business, labor, consumers, agriculture, State and local governments, and the economics profession. In addition, the Members and staff of the Council are frequently called upon to serve on Cabinet Council working groups in a wide variety of fields.

The Council's staff includes a statistical unit which is responsible for the monthly publication Economic Indicators and the preparation of the statistical material in the annual Economic Report of the President, as well as for providing continuous assistance to the Council and professional staff.

SUMMARY OVERVIEW

Executive Office of the President
Council of Economic Advisers

The Council of Economic Advisers (CEA) requests an appropriation of $3,064,000 for fiscal 1991. The request represents an increase of $199,000 over the current level of $2,865,000.

- There is an increase of $115,000 in personnel and benefits. This includes the cost of the fiscal 1990 and 1991 pay raises and the restoration of the base level pursuant to Public Law 99-177. This will provide funding for 38 positions, including permanent and other than full time.

- An additional $6,000 is requested for travel. Travel costs are increasing while the Council's foreign trips are also increasing.

- There is an increase in rental payments to the General Services Administration of $17,000. An increase of $15,000 is requested in other services. The remaining $46,000 is requested to restore increases in supplies and equipment because the absorption of the pay raise in fiscal 1990 delayed the necessary equipment replacement.

COUNCIL OF ECONOMIC ADVISERS

Budget Overview
(Dollars in 000s)

	Actual FY 89	Estimated FY 90	Estimated FY 91	Net Change FY '90-'91
Budget Authority:				
Appropriation	2,781	2,906	3,064	199
Gramm-Rudman Sequester		-41		
Post GRH Authority		2,865		
Employment:				
FTP	26	34	34	0
Total FTE	31	38	38	0

APPROPRIATION LANGUAGE

Executive Office of the President
Council of Economic Advisers

Salaries and Expenses

For necessary expenses of the Council in carrying out its functions under the Employment Act of 1946 (15 U.S.C. 1021); [$2,906,000] $3,064,000. (Executive Office Appropriations Act, 1990.)

EXPLANATION AND JUSTIFICATION OF CHANGES BY OBJECT CLASS FOR FY 1991

Executive Office of the President
Council of Economic Advisers

(in thousands of dollars)

I. Increases to Maintain Current Services & Request Levels
$199,000

FY'90	FY'91		Net Change
$2,126	$2,241	Personnel compensation and benefits	$115
		For fiscal 1991, $2,241,000 is requested to provide CEA with 38 FTE including 34 full-time positions.	
$ 43	$ 49	Travel and transportation of persons	6
		An additional $6,000 is requested for travel. Travel costs are increasing while the Council's foreign trips are also increasing.	
$ 1	$ 1	Transportation of things	0
		No increase in this object class.	
$ 386	$ 403	Rental Payments to GSA (SLUC)	17
		An additional $17,000 for rent. This increase is uncontrollable and no additional space is requested for FY 1991.	
$ 95	$ 95	Communications, utilities, and miscellaneous charges	0
		No increase in this object class.	
$ 90	$ 90	Printing and reproduction	0
		No increase in this object class.	

$ 60	$ 75	Other services	$15
		An increase of $15,000 is requested for data timesharing that the Council must utilize to assess and analyze economic trends and to keep informed about current developments in financial markets.	
$ 30	$ 40	Supplies and materials	$10
		The $10,000 increase is restoration in supplies because the absorption of the pay raise in fiscal 1990 delayed purchasing of some supplies.	
$ 34	$ 70	Equipment	$36
		The $36,000 increase is restoration in equipment because the absorption of the pay raise in fiscal 1990 delayed the necessary equipment replacement.	
$2,865	$3,064	Total all object classes	$ 199

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised

COUNCIL OF ECONOMIC ADVISERS
SALARIES AND EXPENSES

Program and Financing (in thousands of dollars)

11-1900-0-1-802	1989	1990	1991
Program by activities:			
10.00 Total obligations................	2,781	2,865	3,064
Financing:			
25.00 Unobligated balance lapsing.....	6	---	---
39.00 Budget authority..............	2,787	2,865	3,064
Budget authority:			
40.00 Appropriation	2,787	2,906	3,064
40.00 Reduction pursuant to P.L. 99-177	---	-41	---
43.00 Appropriation (adjusted)......	2,787	2,865	3,064
Relation of obligations to outlays:			
71.00 Obligations incurred, net.......	2,781	2,865	3,064
72.40 Obligated balance, start of year	276	340	348
74.40 Obligated balance, end of year...	-340	-348	-368
77.00 Adjustment in expired accounts...	-2	---	---
90.00 Outlays	2,715	2,857	3,044

Council of Economic Advisers

Program and Performance

The Council of Economic Advisers analyzes the national economy and its various segments, advises the President on economic developments, recommends policies for economic growth and stability, appraises economic programs and policies of the Federal Government, and assists in preparation of the annual Economic Report of the President to the Congress.

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STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised
300-101

COUNCIL OF ECONOMIC ADVISERS
SALARIES AND EXPENSES

Object Classification (in thousands of dollars)

Identification code 11-1900-0-1-802	19 89 actual	19 90 estimate	19 91 estimate
Personnel compensation:			
11.1 Full-time permanent positions...	1,274	1,458	1,554
11.3 Other than full-time permanent..	106	40	41
11.5 Other personnel compensation....	56	50	50
11.8 Special personal services payments	337	262	262
11.9 Total personnel compensation ...	1,773	1,810	1,907
Personnel benefits:			
12.1 Civilian personnel benefits	240	316	334
21.0 Travel and transportation of persons	43	43	49
22.0 Transportation of things	2	1	1
23.1 Rental payments to GSA	351	386	403
23.3 Communications, utilities, and other rent	95	95	95
24.0 Printing and reproduction	62	90	90
25.0 Other services	72	60	75
26.0 Supplies and materials	47	30	40
31.0 Equipment	96	34	70
99.9 Total obligations	2,781	2,865	3,064

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STANDARD FORM 300

COUNCIL OF ECONOMIC ADVISERS
SALARIES AND EXPENSES

PERSONNEL SUMMARY

Identification code 11-1900-0-1-802	19 89 actual	19 90 estimate	19 91 estimate
Total number of full-time permanent positions	26	34	34
Total compensable workyears:			
Full-time equivalent employment ...	31	38	38
Full-time equivalent of overtime and holiday hours	2	2	2
Average GS grade	11.16	11.16	11.08
Average GS salary	$37,326	$38,364	$39,012
Average salary of ungraded positions.	$50,647	$54,706	$57,314

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STANDARD FORM 306
July 1966, Bureau of the Budget
Circular No. A-11, Revised.
000-100

COUNCIL OF ECONOMIC ADVISERS
SALARIES AND EXPENSES

DETAIL OF PERMANENT POSITIONS

11-1900-0-1-802	1989 actual	1990 estimate	1991 estimate
Executive Level II	1	1	1
Executive Level IV	2	2	2
Subtotal	3	3	3
GS-15	1	1	1
GS-13	2	2	2
GS-12	2	2	2
GS-11	4	4	4
GS-10	1	0	0
GS-9	3	3	3
GS-8	0	1	1
Subtotal	13	13	13
Ungraded	18	18	18
Total permanent positions	34	34	34
Unfilled positions, end of year	8	---	---
Total permanent employment, end of year	26	34	34

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SUMMARY TABLE

Executive Office of the President
Council of Economic Advisers

Summary of Budget Authority by Object Class
FY 1989-1991

BUDGET OVERVIEW
(in thousands of dollars)

	Actual FY 1989	Estimated FY 1990	Estimated FY 1991	Net Change FY'90-'91
Personnel compensation: Full-time permanent	1,274	1,458	1,554	96
Other than full-time permanent	106	40	41	1
Other personnel compensation	56	50	50	0
Special personal services payments	337	262	262	0
Total personnel compensation	1,773	1,810	1,907	97
Personnel benefits: Civilian	240	316	334	18
Total compensation & benefits	2,013	2,126	2,241	115
Travel & tranportation of persons	43	43	49	6
Transportation of things	2	1	1	0
Rental payments to GSA	351	386	403	17
Comm., util., & misc. chgs.	95	95	95	0
Printing & reproduction	62	90	90	0
Other services	72	60	75	15
Supplies & materials	47	30	40	10
Equipment	96	34	70	36
Total direct program	2,781	2,865	3,064	199
Lapse	6	---	---	
Budget Authority	2,787	2,865	3,064	199

WEDNESDAY, MARCH 21, 1990.

THE WHITE HOUSE, EXECUTIVE OFFICE OF THE PRESIDENT

WITNESSES

PAUL W. BATEMAN, DEPUTY ASSISTANT TO THE PRESIDENT FOR MANAGEMENT AND DIRECTOR OF THE OFFICE OF ADMINISTRATION

HECTOR F. IRASTORZA, JR., SPECIAL ASSISTANT TO THE PRESIDENT AND DEPUTY DIRECTOR OF THE OFFICE OF ADMINISTRATION

RON R. RASMUSSEN, DIRECTOR, FINANCIAL MANAGEMENT DIVISION

GREGORY D. CUMMINGS, BUDGET OFFICER

Mr. ROYBAL. The committee will come to order.

The committee will hear from the Executive Office of the President and we are going to hear from Mr. Bateman and his colleagues on six different appropriations that come under the Executive Office of the President.

First will be the Compensation of the President.

Mr. Bateman, proceed in any manner that you may desire.

[The information follows:]

EXECUTIVE OFFICE OF THE PRESIDENT

COMPENSATION OF THE PRESIDENT

Statement of Paul W. Bateman
Before the Appropriations Subcommittee on Treasury, Postal, and General Government
United States House of Representatives

Mr. Chairman and Members of the Committee:

The fiscal year 1991 budget request for Compensation of the President is $250,000. This includes $200,000 for the direct salary of the President as authorized by 3 U.S.C. 102. In addition, included in this appropriation is a $50,000 expense account for official use by the President. Any unobligated portion of this account reverts to the Treasury at year end. This expense account is not considered taxable to the President.

No change in the funding level of this account is requested for fiscal year 1991.

OPENING REMARKS

Mr. **BATEMAN**. Thank you, Mr. Chairman.

I would like to take this brief opportunity to express our sincere appreciation to the committee for the support it provided us over the past year. We welcome this opportunity to present our fiscal 1991 budgets to you. I might also briefly introduce my colleagues. To my far left is Mr. Greg Cummings, our Budget Officer.

Next to him is Mr. Ron Rasmussen, the Director of our Financial Management Division. To my immediate left is Mr. Hector Irastorza, who is a Special Assistant to the President and the Deputy Director of the Office of Administration.

COMPENSATION OF THE PRESIDENT

With that behind us, I will turn to the Compensation of the President, if I may. For fiscal year 1991, Mr. Chairman, the request for Compensation of the President is $250,000. This includes $200,000 for the direct salary of the President as authorized by 3 U.S.C. 102.

In addition, included in this appropriation is a $50,000 expense account for official use by the President. Any unobligated portion of this account reverts to the Treasury at year end. This expense account is not considered taxable to the President.

We are seeking no change in the funding level of this account for fiscal year 1991. That concludes my remarks.

Mr. **ROYBAL**. Mr. Bateman, there aren't many questions, of course, on this one subject, but the compensation of the President is $200,000 and $50,000 is for entertainment.

Now how much of that expense allowance has been used traditionally for the last few years?

Mr. **BATEMAN**. It fluctuates with each year and each incumbent. During the most recent fiscal year we obligated approximately $40,000 for President Bush. In the current fiscal year, through the end of February, we posted only $1,400 to that account.

Mr. **ROYBAL**. $1,400?

Mr. **BATEMAN**. That's correct.

Mr. **ROYBAL**. So the year-to-date expenditure has been $1,400?

Mr. **BATEMAN**. That's correct.

Mr. **ROYBAL**. All right. Mr. Skeen.

Mr. **SKEEN**. Mr. Chairman, I have no questions in this category. It seems pretty straight forward to me. They are not asking for more money so let's just get on with this.

Mr. **ROYBAL**. All right. Thank you. We will go on then with the White House Office.

[The information follows:]

EXECUTIVE OFFICE OF THE PRESIDENT

WHITE HOUSE OFFICE

Statement of Paul W. Bateman
Before the Appropriations Subcommittee on Treasury, Postal, and General Government
United States House of Representatives

Mr. Chairman and Members of the Committee:

The White House Office provides staff assistance and administrative support to the President of the United States.

The fiscal year 1991 budget request for the White House Office totals $32,799,000 and represents an increase of $2,567,000 over the fiscal 1990 post sequester level. No additional positions are requested above the ceiling of 338 full-time permanent positions.

The budget request for fiscal year 1991 is predicated upon three specific needs. First, it is important that we continue the program to install a basic, but effective, level of office automation to better support the President's daily activities. Second, an additional degree of flexibility in our travel budget is requested for the cost of staff travelling in support of the President. Last, funding is requested for pay and inflationary cost increases.

For several years prior to fiscal 1990, the state of White House Office computer equipment had deteriorated because competing priorities absorbed funding available to address the replacement of obsolete equipment. As other needs would arise, they were funded from the only non-personnel area in the White House budget where spending was somewhat discretionary, namely the equipment area. Upon taking office last year, we immediately recognized the inadequacy of the White House's office automation equipment, and moved quickly to improve the situation by proposing an amendment to the fiscal year 1990 budget request.

This committee's favorable consideration of our request in fiscal year 1990 has enabled the White House to make a significant step in the direction of more suitable office equipment. With the funds that this committee provided, the White House Office began the first stage towards achieving the level of data processing necessary to adequately support the President of the United States. Correspondingly, the equipment plan requested for fiscal 1991 will enable the White House Office to begin the second phase of replacing the remaining obsolete equipment as well as extend the scope of automation to selected areas of the White House Office.

In the area of travel, President Bush is a very active President. The gracious support of this committee in fiscal year 1990 has allowed the White House to support effectively the President's travel schedule. In the process of formulating the fiscal 1991 budget request, the adequacy of staff travel funding was assessed carefully. Based upon a review of the actual rate of travel by the new President in his first year of office, we feel it is prudent to incorporate a corresponding level of flexibility into the fiscal 1991 budget. Therefore an increase of $125,000 is requested to the staff travel budget.

Finally, in fiscal year 1991, the White House Office will absorb fifty percent of both the Executive Level pay raise and the government-wide cost of living pay raise, almost $1 million in personnel costs. Further absorptions would cause the White House Office to return to the practice of making short-term reductions in the equipment areas, which we feel in the long-term would be detrimental. To prevent such actions, the annualized cost of the fiscal year 1990 pay raise, restoration of the Gramm-Rudman-Hollings sequestration, and inflationary increases are requested.

I would like to express my appreciation for the support that the committee members and committee staff, both majority and minority, have given the White House and the Executive Office of the President during the last year. A change of administrations is never a simple undertaking, but with the help of this committee, the Bush Administration was able to settle in quickly, achieving what we believe have been some significant accomplishments in just the first year in office. Again, I extend our thanks and look forward to working with you in the future.

Mr. Bateman. Mr. Chairman, the White House Office provides staff assistance and administrative support to the President of the United States.

The fiscal year 1991 budget request for the White House Office totals $32,799,000 and represents an increase of $2,567,000 over the fiscal year 1990 post sequester level. No additional positions are being sought above our full-time permanent level of 338 positions.

The budget request for fiscal year 1991 is predicated upon three specific needs. First, it is important that we continue the program to install a basic but effective level of office automation to better support the President's daily activities.

Second, an additional degree of flexibility in our travel budget is requested for the cost of staff travelling in support of the President. Last, funding is requested for pay and inflationary cost increases.

For several years prior to fiscal year 1990, the state of White House Office computer equipment had deteriorated because of competing priorities absorbing funding available to address the replacement of obsolete equipment.

As other needs would arise, they were funded from the only nonpersonnel area in the White House Office where spending was somewhat discretionary, namely the equipment area.

Last year we recognized the inadequacy of the White House Office automation equipment and moved quickly to improve the situation.

This committee's favorable consideration of our request in fiscal year 1990 enabled the White House to make a significant step in the direction of acquiring more suitable office equipment.

With the funds this committee provided, we began the first stage toward achieving the level of data processing necessary to adequately support the President of the United States.

Correspondingly, the equipment plan requested for fiscal year 1991 will enable us to begin the second phase of replacing the remaining obsolete equipment, as well as extending the scope of automation to selected areas of the White House Office.

In the area of travel, President Bush is a very active President. The support of this committee in fiscal year 1990 has allowed us to support effectively the President's hectic travel schedule.

In the process of formulating the fiscal year 1991 budget request, the adequacy of staff travel funding was assessed carefully. Based upon a review of the actual rate of travel by the new President in his first year of office, we feel it is prudent to incorporate a corresponding level of flexibility into the fiscal year 1991 budget. Therefore, an increase of $125,000 is requested.

Finally, in fiscal year 1991 the White House Office will absorb 50 percent of both the Executive Level pay raise and the governmentwide cost of living pay increase, almost $1 million in personnel costs.

Further absorptions would cause the White House Office to return to the practice of making short-term reductions in the equipment area which, in the long-term, we believe would be detrimental.

To prevent such actions, the annualized cost of the fiscal year 1990 pay raise, restoration of the Gramm-Rudman-Hollings sequestration, and inflationary increases are requested.

Again, I want to take this opportunity to express our appreciation for the support of this committee and its staff throughout the past year. With our change of Administrations, we have settled in quickly and believe that we have had a first year in office that has had significant accomplishments.

Again, I extend our thanks to you and to the committee, Mr. Chairman.

Mr. **Roybal**. Well thank you, Mr. Bateman.

DETAILEES

The committee had been concerned for a long time about the accounting for the detailing of personnel from other Executive Branch agencies. Can you please tell the committee the number of personnel detailed to date in this fiscal year, and then provide a more detailed report for the record?

Mr. **Bateman**. I would be pleased to.

We are sensitive, Mr. Chairman, to the concerns of this committee with regard to the use of detailees in the White House Office. I can report to you that in the current fiscal year we now have on board 81 detailees.

For comparison purposes, I can tell you that in fiscal year 1989 we had 118 detailees on board in excess of 30 days. We have recognized the concerns of the committee and have sought to limit our use of detailees to the extent possible.

Mr. **Roybal**. Now the 81 that you have at the present, are they all paid out of another fund account?

Mr. **Bateman**. No. In compliance with Public Law 95-570, we reimburse the employing agency after the detailee has been at the White House for 180 days.

Mr. **Roybal**. Yes. But if he is there less than 180 days, then there is no——

Mr. **Bateman**. Generally speaking, we do not reimburse.

Mr. **Roybal**. There is no reimbursement. In other words, it does actually come out of the other fund and it could very well be that it will change every 90 days.

Mr. **Bateman**. It is possible, but that is not our general practice.

Mr. **Roybal**. But you could?

Mr. **Bateman**. Conceivably, yes.

Mr. **Roybal**. All right.

What you are saying then is that there is reimbursement?

Mr. **Bateman**. Yes, sir, for those employees detailed in excess of 180 days.

POLITICAL ACTIVITY

Mr. **Roybal**. Now for the record I would like to have you provide for us the following: whether or not the White House Office employees are covered by the Hatch Act and to what extent they are permitted to engage in partisan politics?

Mr. **Bateman**. We believe that the White House Office's employees in entirety are exempt from the Hatch Act.

Mr. **Roybal**. Then they do not come under the Hatch Act?

Mr. **Bateman**. That's correct. They are free to engage in political activities.

Mr. **Roybal**. We ask that question every year and we get, of course, the same answer. We want to be sure that it is in the record at all times. If we get letters complaining, we can always come back to the answer you have given us.

Mr. **Bateman**. That's fair enough.

POLITICAL TRAVEL

Mr. **Roybal**. Now under what circumstances does the Republican or the Democrat National Committee reimburse the White House for political trips that the President takes?

Mr. **Bateman**. I am unaware of any reimbursement recently by the Democrats. But with regard to the Republican National Committee, we do, when the President travels on political business, seek reimbursement from either the Republican National Committee or the appropriate political organizations.

Mr. **Roybal**. Isn't this reimbursement a matter that has always taken place, nothing new?

Mr. **Bateman**. That's correct.

Mr. **Roybal**. So the Republican Party is not inventing something new then?

Mr. **Bateman**. Not at all, Mr. Chairman.

Mr. **Roybal**. So they are doing what everybody else has done throughout the years?

Mr. **Bateman**. Actually, we follow a formula that is accepted by the General Accounting Office called the Hard Time Formula. We establish the cost of the trip and then prorate the political expense.

Mr. **Roybal**. All right. Mr. Skeen.

OFFICE AUTOMATION

Mr. **Skeen**. Thank you, Mr. Chairman, Mr. Bateman and those with you. Welcome to the committee.

The question I would like to ask, you mentioned this in your summarization about the ADP systems and so forth. What is the status now of the money provided in the fiscal year 1990 budget that was put in there to upgrade the equipment?

And, what is the relationship between the fiscal year 1990 amendment and the fiscal year 1991 request?

Mr. **Bateman**. The fiscal year 1990 amendment, Mr. Skeen, allowed us to begin a multi year, phased approach to replacing very obsolete equipment. With that amendment we are able to replace approximately 100 machines that were no longer serviceable by the vendor. They weren't even making replacement parts. These were very antiquated systems.

We have also, with the fiscal year 1990 monies, been able to replace equipment we use in our trip environment, when our President travels domestically, so that we are able to communicate between Washington and the trip site.

Mr. **Skeen**. In effect what it was, was a supplementary appropriation through the amendment.

Now how much progress have you made as far as the update is concerned?

Mr. **Bateman**. We made substantial progress, but we believe it is going to take several years to get back to where we need to be; years of neglect, for lack of a better word, put us way behind where we should be.

Mr. **Skeen**. Well, that really disturbs me because one of the things we find a lot of agencies doing both in the Administration and on the Congressional side is they take from the ADP funds to take care of their personnel.

And I think part of the problem is the fact that you have to swallow a lot of personnel costs, the health insurance and the pay increases and so forth, and we let the ADP systems go down.

It is probably a pretty good object lesson that you can't afford to do this and stay up with the technology that you have to have to run these offices. So it is going to take you several years to catch up.

You've got an increase built into this request. Is this going to be adequate now to get you within a five-year frame of reaching technical competency?

Mr. **Bateman**. If the figure remains static over the next five years, that will be quite adequate, Mr. Skeen.

STAFF TRAVEL

Mr. **Skeen**. One other question and that is on this travel and the travels funds. Of course, this President has been very active. How has staff travel been affected by the activities? Has this increased as well?

I assume that it has.

Mr. **Bateman**. The increase we are seeking in the area of travel funding is to add to the staff travel line item. We are seeking no additional funds for Presidential travel, just for staff travel.

Mr. **Skeen**. Staff travel is your main objective.

Mr. **Bateman**. That's correct. We have found that this President has been active. He travels extensively. He has expressed to us his concern that we limit the amount of staff that does travel with him and we have sought to minimize the traveling staff so that only essential staff does travel.

But given the schedule that he has laid out, we are going to be very active in the years ahead.

Mr. **Skeen**. Do you get any reimbursement from other agencies? If asked for personnel from various agencies to travel with the President, do you get any reimbursement from them? Is there any proration?

Mr. **Rasmussen**. With detailees, sir?

Mr. **Skeen**. Well, not just from detailees. For instance, say that you had travel that was directly associated with some energy question and you took somebody from DOE with you. Who handles their personnel travel?

Mr. **Rasmussen**. That would be funded by the parent agency, sir.

Mr. **Skeen**. The parent agency?

Mr. **Rasmussen**. Yes, sir.

Mr. **Skeen**. So you do get reimbursed for the travel?

Mr. **Bateman**. No.

Mr. **Skeen**. It is just taken care of?

Mr. **Bateman**. Precisely.

Mr. **Skeen**. Your office doesn't receive any reimbursement from other agencies?

Mr. **Bateman**. As a general rule, no, sir.

Mr. **Skeen**. As a general rule.

Mr. **Bateman**. We do usually pick up the room cost. For example, if they are travelling as part of our party, we would pick up their associated costs with that travel.

Mr. **Skeen**. That's what I am getting at. So you pick up the room and the——

Mr. **Bateman**. The incidentals.

Mr. **Skeen**. The incidentals.

Mr. **Skeen**. But that is not a very big item?

Mr. **Bateman**. No. We don't do that sort of thing very often, asking other agencies to travel with us. It is generally just the White House staff.

Mr. **Skeen**. I know they do in some other instances when they prorate all the travel between them and I don't know who keeps up with all that.

Mr. **Bateman**. In our case, we do travel with a number of other agencies like the Secret Service, but they have separate monies provided for that.

Mr. **Skeen**. Thank you for the response to the question. I have no other questions.

Mr. **Roybal**. Mr. Conte?

DRUG FREE WORKPLACE PLAN

Mr. **Conte**. Mr. Bateman, you mentioned in your statement about the war on drugs. Have you drug tested all the employees at the White House?

Mr. **Bateman**. We implemented President Reagan's 1986 Drug Free Workplace Plan in December of 1989. To date, we have tested every new employee in the Executive Office of the President who entered after January 20th, 1989.

We have tested approximately 750 employees to date and we are going to move forward in the very near future to implement random testing of our employees.

CLASSIFICATION OF EMPLOYEES

Mr. **Conte**. How many employees at the White House are political employees and how many are career? What positions within the White House Organization do career employees hold?

Mr. **Bateman**. For the purposes of your question, we don't consider any of our employees to be career as compared to other federal agencies, though we do have approximately one-third of our employees who comprise a career element. These are people who serve throughout the various Administrations very faithfully and loyally.

But for our purposes, all the employees are considered to be ungraded and they serve at the pleasure of the President. And for those purposes, we consider them political appointees.

Mr. **Conte**. Some employee, such as upholsterers and the like, have been there 30 or 40 years.

RENOVATIONS TO THE VICE PRESIDENT'S RESIDENCE

What is the status of the renovation and the handicap accessibility project which $320,000 worth of funding was provided in the fiscal year 1990 budget? I understand the Vice President—well, go ahead and answer that.

Mr. **Bateman**. I believe you are referring to the Vice President's residence there. Some $320,000 was provided for the current fiscal year. $120,000 was provided for modest roof repairs and for handicap accessibility.

Plans are under way and we expect construction to begin and be completed this fiscal year.

Mr. **Conte**. I understand the Vice President's office is seeking donations to assist in the renovation of the residence. Please, can you provide the status of that money that has been received today and how the donated funds will be used relative to the amount that was appropriated for renovations.

Personally, I felt that we should have destroyed that house. [Laughter.]

Mr. **Skeen**. Too late now.

Mr. **Bateman**. To date, Mr. Conte, some $240,000 has been received and deposited into the federal coffers. Those funds will be used to supplement federal funds that have already been provided for certain restorations at the residence.

It is my understanding that the Quayles will continue to solicit funds for the work to be done at the residence. They are using strict guidelines. Their counsel has been very careful in scrubbing who is donating funds and they are paying very careful attention to that.

WHITE HOUSE VISITORS

Mr. **Conte**. How many visitors did we have at the White House last year?

Mr. **Bateman**. I don't know the answer to that. I know that the daily number is somewhere in the thousands, probably 2,000 or 3,000 visitors a day. I can get you an exact answer for the record though, sir.

Mr. **Conte**. Our former Chairman of this committee, Tom Steed, loved to go into that and how many rugs we wore out. [Laughter.]

But I had little nostalgia when I came in here today. [Laughter.]

Thank you, Mr. Chairman.

Visitors to the White House

For calendar year 1989, the White House had a total of 1,037,098 visitors during the 258 days which it was open to public and Congressional tours.

Mr. **Roybal**. Mr. Akaka?

WHITE HOUSE STAFF TRAVEL INCREASE

Mr. **Akaka**. Thank you very much, Mr. Chairman. Good to have you before the committee.

My questions will be just along the line of travel, specifically staff travel funding. Your request seeks an increase of $125,000 in staff travel to provide flexibility in the staff travel budget.

In fiscal year 1989, Congress allowed you reprogramming flexibility and appropriated additional funds in fiscal year 1990. Can you explain to me the assessment you conducted which determined the need for this increase?

Also, is the increase necessary because of the number of trips taken by the President or by the number of staff accompanying the President?

Mr. **Bateman**. You are correct, Congressman, that we did seek reprogramming authority last year which this committee did grant, allowing us some flexibility.

Having had one year of experience with the current President, we believe that we need to build in some flexibility in the area of staff travel not because the number of staff has increased; in fact, we believe it is the opposite. But the fact is that the number of trips has increased over previous years.

In previous years, the amount of money provided for staff travel was static at $500,000 over let's say half a dozen years. There was never a change. We believe this is just a normal accretion and it is reflective of the times as well as the current incumbent.

Mr. **Akaka**. In your assessment, do you expect the fiscal year 1990 appropriation to cover the travel expenses this year or will reprogramming be necessary?

Mr. **Bateman**. We believe that the funds provided will allow us to meet our needs. However, we would like to reserve the opportunity to come back and seek reprogramming should that be necessary.

Mr. **Akaka**. Thanks for your response.

Mr. **Bateman**. Thank you, sir.

WHITE HOUSE OFFICE ORGANIZATION

Mr. **Roybal**. Mr. Bateman, two last things.

One is please provide for the record an organizational chart of the White House. And that will include the names of the leaders of each of the offices that are listed and the number of employees in each office.

Do you have that information now?

Mr. **Bateman**. I can provide you now, Mr. Chairman, with an organizational chart and a listing of the commissioned officers in the White House Office.

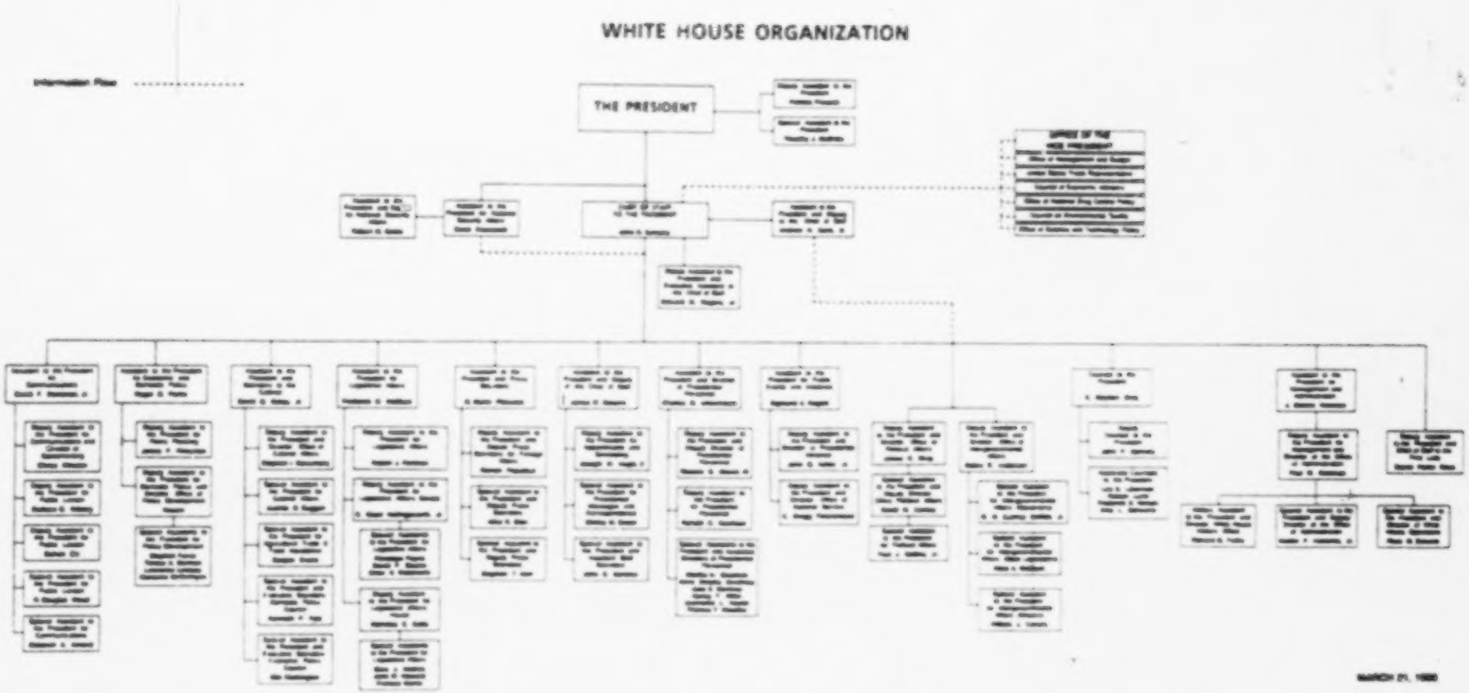
Additionally, I will provide you the organizational breakout by staff size at a later date.

Mr. **Roybal**. This will be included in the record at this point and then what you submit later will also be included.

Mr. **Bateman**. Okay.

[The information follows:]

WHITE HOUSE ORGANIZATION


Information Flow
THE PRESIDENT
MARCH 21, 1980

THE WHITE HOUSE
WASHINGTON

456–1414 **March 1990**

THE PRESIDENT OF THE UNITED STATES
GEORGE BUSH

ASSISTANTS TO THE PRESIDENT		EXT.	RM.	BLDG.
CHIEF OF STAFF TO THE PRESIDENT	John H. Sununu	6797	1FL/WW	WH
ASSISTANT TO THE PRESIDENT AND DEPUTY TO THE CHIEF OF STAFF	Andrew H. Card, Jr.	2533	1FL/WW	WH
ASSISTANT TO THE PRESIDENT AND DEPUTY TO THE CHIEF OF STAFF	James W. Cicconi	2702	GFL/WW	WH
ASSISTANT TO THE PRESIDENT AND SECRETARY TO THE CABINET	David Q. Bates, Jr.	2174	1FL/WW	WH
ASSISTANT TO THE PRESIDENT FOR SCIENCE AND TECHNOLOGY	D. Allan Bromley	7116	358	OEOB
ASSISTANT TO THE PRESIDENT FOR COMMUNICATIONS	David F. Demarest, Jr.	7620	2FL/WW	WH
ASSISTANT TO THE PRESIDENT AND PRESS SECRETARY	Max Marlin Fitzwater	2100	1FL/WW	WH
ASSISTANT TO THE PRESIDENT AND DEPUTY FOR NATIONAL SECURITY AFFAIRS	Robert M. Gates	2257	1FL/WW	WH
COUNSEL TO THE PRESIDENT	C. Boyden Gray	2632	2FL/WW	WH
ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE AFFAIRS	Frederick D. McClure	2230	2FL/WW	WH
ASSISTANT TO THE PRESIDENT FOR MANAGEMENT AND ADMINISTRATION	J. Bonnie Newman	2861	GFL/WW	WH
ASSISTANT TO THE PRESIDENT FOR ECONOMIC AND DOMESTIC POLICY	Roger B. Porter	2705	2FL/WW	WH
ASSISTANT TO THE PRESIDENT FOR PUBLIC EVENTS AND INITIATIVES	Sigmund A. Rogich	2421	2FL/WW	WH
ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS	General Brent Scowcroft USAF, (Ret.)	2255	1FL/WW	WH
ASSISTANT TO THE PRESIDENT AND DIRECTOR OF PRESIDENTIAL PERSONNEL	Charles G. Untermeyer	7060	2FL/WW	WH

DEPUTY ASSISTANTS TO THE PRESIDENT

		EXT.	RM.	BLDG.
DEPUTY ASSISTANT TO THE PRESIDENT AND DIRECTOR, OFFICE OF INTERGOVERNMENTAL AFFAIRS	Debra Anderson	2577	2FL/WW	WH
DEPUTY ASSISTANT TO THE PRESIDENT FOR MANAGEMENT AND DIRECTOR, OFFICE OF ADMINISTRATION	Paul W. Bateman	7052	GFL/WW	WH
DEPUTY ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE AFFAIRS (HOUSE)	Nicholas E. Calio	6620	1FL/EW	WH
DEPUTY ASSISTANT TO THE PRESIDENT AND DIRECTOR, OFFICE OF CABINET AFFAIRS	Stephen I. Danzansky	6630	231	EOB
DEPUTY ASSISTANT TO THE PRESIDENT FOR APPOINTMENTS AND SCHEDULING	Joseph W. Hagin, II	2823	GFL/WW	WH
DEPUTY ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE AFFAIRS (SENATE)	E. Boyd Hollingsworth, Jr	7054	1FL/EW	WH
DEPUTY ASSISTANT TO THE PRESIDENT FOR PRESIDENTIAL PERSONNEL	Ronald C. Kaufman	2135	132	EOB
DEPUTY ASSISTANT TO THE PRESIDENT AND DIRECTOR OF PRESIDENTIAL ADVANCE	John G. Keller, Jr	7565	185½	EOB
DEPUTY ASSISTANT TO THE PRESIDENT FOR PUBLIC LIAISON	Barbara G. Kilberg	7900	128	EOB
DEPUTY ASSISTANT TO THE PRESIDENT AND DIRECTOR, OFFICE OF NATIONAL SERVICE	C. Gregg Petersmeyer	6266	100	EOB
DEPUTY ASSISTANT TO THE PRESIDENT FOR POLICY PLANNING	James P. Pinkerton	6407	216	EOB
DEPUTY ASSISTANT TO THE PRESIDENT AND DEPUTY PRESS SECRETARY	Roman Popadiuk	2100	1FL/WW	WH
DEPUTY ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE AFFAIRS	Robert J. Portman	2230	2FL/WW	WH
DEPUTY ASSISTANT TO THE PRESIDENT	Patricia Presock	Operator	1FL/WW	WH
DEPUTY ASSISTANT TO THE PRESIDENT AND EXECUTIVE ASSISTANT TO THE CHIEF OF STAFF	Edward M. Rogers, Jr	6594	1FL/WW	WH
DEPUTY ASSISTANT TO THE PRESIDENT AND CHIEF OF STAFF TO THE FIRST LADY	Susan Porter Rose	2957	2FL/EW	WH
DEPUTY COUNSEL TO THE PRESIDENT	John P. Schmitz	6611	2FL/WW	WH
DEPUTY ASSISTANT TO THE PRESIDENT FOR PUBLIC LIAISON	Sichan Siv	7120	128	EOB
DEPUTY ASSISTANT TO THE PRESIDENT AND DEPUTY DIRECTOR OF PRESIDENTIAL PERSONNEL	Roscoe B. Starek, III	6444	145	EOB
DEPUTY ASSISTANT TO THE PRESIDENT FOR COMMUNICATIONS AND DIRECTOR OF SPEECHWRITING	Chriss Winston	2930	122	EOB
DEPUTY ASSISTANT TO THE PRESIDENT AND DIRECTOR, OFFICE OF POLITICAL AFFAIRS	James R. Wray	7730	170	EOB

SPECIAL ASSISTANT TO THE PRESIDENT OR EQUIVALENT POSITIONS

		EXT.	RM.	BLDG.
SPECIAL ASSISTANT TO THE PRESIDENT FOR COMMUNICATIONS	Deborah A. Amend	2930	126 1/2	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE AFFAIRS (HOUSE)	Gary J. Andres	7092	1FL/EW	WH
SPECIAL ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS	Robert D. Blackwill	5112	368	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR INTERGOVERNMENTAL AFFAIRS	William J. Canary	6597	160	EOB
SPECIAL ASSISTANT TO THE PRESIDENT AND DEPUTY DIRECTOR, OFFICE OF POLITICAL AFFAIRS	David M. Carney	6623	168	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR POLITICAL AFFAIRS	Paul J. Collins, Jr.	2414	167	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS	Timothy E. Deal	3622	365	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR CABINET AFFAIRS	Juanita D. Duggan	2800	235	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR AGRICULTURAL TRADE AND FOOD ASSISTANCE	Cooper Evans	2813	175	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT	Stephen Farrar	2315	216	EOB
SPECIAL ASSISTANT TO THE PRESIDENT AND ASSISTANT STAFF SECRETARY	John S. Gardner	2702	GFL/WW	WH
SPECIAL ASSISTANT TO THE PRESIDENT AND DEPUTY PRESS SECRETARY	Alixe R. Glen	2100	1FL/WW	WH
SPECIAL ASSISTANT TO THE PRESIDENT AND ASSOCIATE DIRECTOR OF PRESIDENTIAL PERSONNEL	Martha H. Goodwin	7606	140	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR PRESIDENTIAL MESSAGES AND CORRESPONDENCE	Shirley M. Green	7610	94	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR INTERGOVERNMENTAL AFFAIRS	George O. Griffith, Jr.	7170	160	EOB
SPECIAL ASSISTANT TO THE PRESIDENT AND ASSOCIATE DIRECTOR OF PRESIDENTIAL PERSONNEL	Anne B. Gwaltney	6676	151	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS	Richard N. Haass	6900	351	EOB
SPECIAL ASSISTANT TO THE PRESIDENT AND DEPUTY PRESS SECRETARY	Stephen T. Hart	2100	1FL/WW	WH
SPECIAL ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE AFFAIRS (HOUSE)	John W. Howard	7030	1FL/EW	WH

SPECIAL ASSISTANT TO THE PRESIDENT OR EQUIVALENT POSITIONS

		EXT.	RM.	BLDG.
EXECUTIVE SECRETARY OF THE NATIONAL SECURITY COUNCIL	G. Philip Hughes	2224	GFL/WW	WH
SPECIAL ASSISTANT TO THE PRESIDENT AND DEPUTY DIRECTOR, OFFICE OF ADMINISTRATION	Hector F. Irastorza, Jr.	6226	480	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS	Karl D. Jackson	6173	493	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS	Arnold Kanter	5865	386	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS	Virginia A. Lampley	3055	348	EOB
PHYSICIAN TO THE PRESIDENT	Burton J. Lee, III, M.D.	2672	Residence	WH
ASSOCIATE COUNSEL TO THE PRESIDENT	Lee S. Liberman	2897	106	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT	Lawrence Lindsey	6402	214	EOB
ASSOCIATE COUNSEL TO THE PRESIDENT	Nelson Lund	2607	114	EOB
SPECIAL ASSISTANT TO THE PRESIDENT AND ASSOCIATE DIRECTOR OF PRESIDENTIAL PERSONNEL	Jose E. Martinez	7510	139	EOB
SPECIAL ASSISTANT TO THE PRESIDENT	Timothy J. McBride	Operator	1FL/WW	WH
SPECIAL ASSISTANT TO THE PRESIDENT FOR INTERGOVERNMENTAL AFFAIRS	Mary A. McClure	6697	164	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT	Marianne McGettigan	2449	197	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS	David C. Miller, Jr.	3393	302	EOB
SPECIAL ASSISTANT TO THE PRESIDENT AND ASSOCIATE DIRECTOR OF PRESIDENTIAL PERSONNEL	Nancy F. Miller	2825	154	EOB
SPECIAL ASSISTANT TO THE PRESIDENT AND ASSOCIATE DIRECTOR OF PRESIDENTIAL PERSONNEL	Jeannette L. Naylor	7590	145	EOB
SPECIAL ASSISTANT TO THE PRESIDENT AND ASSOCIATE DIRECTOR OF PRESIDENTIAL PERSONNEL	Thomas F. Needles	6676	151	EOB
ASSOCIATE COUNSEL TO THE PRESIDENT	Frederick D. Nelson	6500	113	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS	William T. Pryce	3860	361	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS	Peter W. Rodman	6907	375	EOB

SPECIAL ASSISTANT TO THE PRESIDENT OR EQUIVALENT POSITIONS

		EXT.	RM.	BLDG.
SPECIAL ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS	C. Nicholas Rostow	6538	372A	EOB
ASSOCIATE COUNSEL TO THE PRESIDENT	Amy L. Schwartz	2674	106	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE AFFAIRS (SENATE)	David P. Sloane	6493	1FL/EW	WH
MILITARY ASSISTANT TO THE PRESIDENT AND DIRECTOR WHITE HOUSE MILITARY OFFICE	Richard G. Trefry	2150	2FL/EW	WH
SPECIAL ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE AFFAIRS	Brian K. Waidmann	7557	1FL/WW	WH
SPECIAL ASSISTANT TO THE PRESIDENT FOR PUBLIC LIAISON	R. Douglas Wead	7140	128	EOB
SPECIAL ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS	William W. Working	3334	300	EOB
SPECIAL ASSISTANT TO THE PRESIDENT AND EXECUTIVE SECRETARY, DOMESTIC POLICY COUNCIL	Kenneth Yale	6722	231	EOB
SPECIAL ASSISTANT TO THE PRESIDENT AND DIRECTOR OF WHITE HOUSE OPERATIONS ...	Rose M. Zamaria	2663	GFL/WW	WH

White House Office Organization
with
Full-Time Permanent (FTP) Staff Levels
(as of February 28, 1990)

Chief of Staff to the President - John H. Sununu: 12 FTPs.

Assistant to the President for National Security Affairs -
Brent Scowcroft: 2 FTPs.

Assistant to the President for Communications -
David F. Demarest, Jr.: 35 FTPs.

Assistant to the President for Economic and Domestic Policy -
Roger B. Porter: 2 FTPs.

Assistant to the President and Secretary to the Cabinet -
David Q. Bates, Jr.: 2 FTPs.

Assistant to the President for Legislative Affairs -
Frederick D. McClure: 20 FTPs.

Assistant to the President and Press Secretary -
Marlin Fitzwater: 17 FTPs.

Assistant to the President and Deputy to the Chief of Staff -
James W. Cicconi: 110 FTPs.

Assistant to the President and Director of Presidential Personnel -
Charles G. Untemeyer: 10 FTPs.

Assistant to the President for Public Events and Initiatives -
Sigmund A. Rogich: 25 FTPs.

Deputy Assistant to the President and Director, Office of Political Affairs -
James Wray: 11 FTPs.

Deputy Assistant to the President and Director, Office of Intergovernmental Affairs -
Debra R. Anderson: 11 FTPs.

Counsel to the President -
C. Boyden Gray: 17 FTPs.

Assistant to the President for Management and Administration -
J. Bonnie Newman: 33 FTPs.

Deputy Assistant to the President and Chief of Staff to the First Lady -
Susan Porter Rose: 17 FTPs.

WHITE HOUSE OFFICE FY 1991 INCREASE

Mr. **Roybal.** Now the next thing is a summary of the reasons for the increase that are proposed in 1991. Now that is almost $2.6 million. That is more than 7, almost 8 percent of your increase.

Please tell us what that is going to be used for and why that is necessary when there are departments that are being decreased?

Mr. **Bateman.** The area of our increase can be confined to three basic areas. One is the increases we desire to further automate our computer equipment in individual offices, which is correcting what we believe was a long-term problem. And, if done properly, it will allow us in the out-years to reduce those monies and reach a static and stable level.

Second, we are seeking help in absorbing some of the pay increases that have been enacted in the past year which we are unable to absorb in our current budget.

If we were to absorb the pay increases it would affect again our equipment level and would cause further harm to us there.

And the third area, Mr. Chairman, is the area of staff travel which we have explored here somewhat this morning.

Mr. **Roybal.** Okay. Mr. Wolf, do you have any questions?

Mr. **Wolf.** No, no questions.

Mr. **Roybal.** Mr. Bateman, I would like to thank you and your colleagues for this portion of your request. We will now go into another, which is the Office of Administration.

[The information follows:]

THE EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF ADMINISTRATION

Statement of Paul W. Bateman
Before the Appropriation Subcommittee on the Treasury, Postal, and General Government
United States House of Representatives

Mr. Chairman and Members of the Committee:

The Office of Administration (OA) provides common administrative support and services to the agencies of the Executive Office of the President.

For fiscal year 1991, we are requesting an appropriation of $24,910,000, an increase of $6,330,000 over the fiscal year 1990 post sequester funding level. This amount will provide direct funding for 179 full-time permanent positions, an increase of 17 above the fiscal year 1990 authorized level. The Office of Administration's total full-time permanent staffing authority is 199, which includes 20 positions funded through reimbursements.

Last year was very successful for the Office of Administration. With the support of this subcommittee, we achieved an orderly and effective Presidential transition, maintaining a high level of quality administrative support throughout the change in administrations. A full report of transition costs and activities was provided to your committee in July of 1989.

In addition to the transition, OA provided administrative support to two newly created Executive Office agencies in fiscal year 1989, the Office of National Drug Control Policy (ONDCP) and the National Space Council. The addition of these two new agencies has brought over 100 new employees into the EOP, and ONDCP's fiscal year 1991 request makes it the fifth largest in the Executive Office. OA made a concerted effort to facilitate the start up of these new and important agencies.

The war on drugs begins at home. To this end, the Bush Administration has now fully implemented President Reagan's 1986 Executive Order directing each federal each agency to be a drug-free environment. The Executive Office of the President's Drug-Free Workplace Plan is centrally administered by the Office of Administration. We are proud to state that today, over 600 new employees hired under the Bush Administration have been tested for drug use as a condition of their employment. We also now are establishing a random drug testing program for those employees in testing designated positions.

The Office of Administration was also called upon by Congress to execute several unique initiatives in fiscal years 1989 and 1990. OA administers a program providing a total of $1,500,000 in grants to the three political parties of Puerto Rico, to assist each with preparing their position on Puerto Rico's referendum on statehood.

We are also in the initial stages of administering $493,000 in funding to be made available for a White House Conference on Indian Education. Initiatives such as these present a special challenge to the Office of Administration's skills; however, we are confident that each project will be executed effectively and the monies prudently managed.

With respect to OA's mission of common administrative support, the new administration has conducted a thorough review of the level and quality of support provided by the Office of Administration to Executive Office of the President agencies. The fiscal year 1991 request represents the knowledge gained through this assessment as well as the benefit of a full year of actual experience. As a result, OA is requesting funding in fiscal year 1991 for major initiatives in three areas which we feel are either mandatory to the fulfillment of OA's mission, or will improve our current level of service. The initiatives that we would like to present to you today include an upgrade to the EOP's Data Center, a request for new positions, and an expansion of common support services.

At a cost of $4,475,000, the upgrade to the mainframe computer represents nearly three quarters of the requested increase for fiscal year 1991. Beyond the practical reasons for the upgrade, such as obsolescence and the exhaustion of current capacity, a new mainframe also will allow the flexibility to support future initiatives, as well as offer more comprehensive ADP support to all the agencies within the Executive Office. The last time OA requested an upgrade to the Data Center's mainframe computer was during fiscal years 1982 and 1983. As was the case then, this purchase will be a one time increase to OA's budget authority.

An increase of seventeen positions to our authorized staffing ceiling also is reflected in our submission. The majority of these positions, twelve, are requested to convert contractors that support the Data Center into full time government personnel. No funding is requested for this initiative, and we expect to realize savings once the program is implemented fully. The Office of National Drug Control Policy and the National Space Council were new additions to the EOP in fiscal year 1989. Five positions are requested to directly fund the additional common administrative workload created by the new EOP agencies.

The final initiative is an expansion of common automated data processing support services offered by the Office of Administration. Previously, OA had received reimbursement from certain EOP agencies for computer training and support, but not from all agencies. This was an inconsistent approach. Therefore, we implemented a policy which standardizes OA's ADP support by offering a common level of computer training to all Executive Office agencies on a non-reimbursable basis. We feel a standardized approach to personal computer training and support offered as a common service will stimulate a wider use of office automation by the smaller agencies in the EOP. The Office of Administration is requesting $450,000 to fund this change in policy in fiscal year 1991. Other Executive Office agencies will realize savings from this change in policy; therefore, no net funding increase is required for this initiative.

The Office of Administration anticipates $3,849,000 in reimbursements during fiscal year 1991. These funds will be earned largely from specialized automated systems development work which we expect to perform for various agencies of the Executive Office of the President. These reimbursable funds will provide for 20 full-time permanent positions.

The first year under the new administration has been a busy one, bringing many changes. In response to the increasing role that facilities management has come to play in the many buildings housing EOP agencies, we have created a separate Facilities Management Division.

We are proud to have on our team a dedicated group of career civil servants who work from one administration to the next. They maintain an important institutional knowledge of EOP operations. We are concentrating on reducing employee turnover and have improved our employee incentive program. I am happy to report our turnover rate for permanent staff declined in 1989 and morale is high.

We believe this budget will support the Office of Administration in its role as the provider of a solid foundation of administrative support for the White House and the President's advisers throughout the EOP.

Mr. **Bateman**. Thank you, sir.

The Office of Administration provides common administrative support to the agencies of the Executive Office of the President.

For fiscal year 1991, we are seeking an appropriation of $24,910,000, an increase of some $6,300,000 over the fiscal year 1990 post sequester funding level.

This amount will provide direct funding of 179 full-time permanent positions, an increase of 17 over our current authorized level. Our total full-time permanent staffing authority is 199, which includes 20 positions funded through reimbursements.

Last year was a successful year for the Office of Administration. With the support of this committee, we achieved an orderly and effective Presidential transition, maintaining a high level of quality, administrative support throughout the change. A full report of transition costs and activities was provided to your committee in July of 1989.

In addition to the transition, OA provided administrative support to two newly created federal agencies, the Office of National Drug Control Policy and the National Space Council. In addition to these two new agencies, we have witnessed expansive growth in the Executive Office as well.

The Bush Administration has now fully implemented President Reagan's 1986 Executive Order directing each federal agency to be a drug-free environment. The Executive Office of the President's Drug Free Workplace Plan is centrally administered by the Office of Administration.

To date, more than 750 new employees hired under the Bush Administration have been tested for drug use as a condition of their employment. We are now preparing a random drug testing program for those employees in testing designated positions.

The Office of Administration was also called upon by Congress to execute several unique initiatives in fiscal years 1989 and 1990. We administer a program providing a total of $1.5 million in grants to the three political parties of Puerto Rico to assist each in preparing their position on Puerto Rico's referendum on statehood.

We are administering an additional $493,000 in funding for a White House Conference on Indian Education.

Our fiscal year 1991 budget request represents the knowledge gained through the benefit of a full year in office.

As a result, we are requesting funding in fiscal year 1991 for major initiatives in three areas which we feel are mandatory to the fulfillment of our mission or will improve our current level of service.

These initiatives include an upgrade of our data center, a request for new positions, and expansion of common support services.

At a cost of $4,475,000, the upgrade to the mainframe computer represents nearly three quarters of the requested increase for fiscal year 1991. Beyond the practical reasons for the upgrade, such as obsolescence and the exhaustion of current capacity, a new mainframe also will allow the flexibility to support future initiatives, as well as offer more comprehensive ADP support to all the agencies within the Executive Office.

The last time OA requested an upgrade to its data center mainframe was in fiscal years 1982 and 1983. As was the case then, this purchase will be a one-time increase to our budget authority.

An increase of 17 positions to our authorized staffing ceiling also is reflected in our submission. The majority of these positions, twelve, are requested to convert contractors that support the Data Center into full-time government personnel.

No funding is requested for this initiative, and we expect to realize savings once the program is implemented. Five positions are requested to directly fund the additional common administrative workload created by the new agencies in the Executive Office.

The final initiative is an expansion of our common automated data processing support provided to other agencies within the Executive Office. We established a policy last year which standardizes our ADP support by offering a common level of computer training to all EOP agencies on a nonreimbursable basis.

The standardized approach to personal computer training and support will stimulate a wider use of office automation by the agencies in the Executive Office of the President. The Office of Administration is requesting $450,000 to fund this change in policy in fiscal year 1991. Other agencies in the Executive Office will realize savings from this change in policy; therefore, no net funding increase is requested for this initiative.

We are proud to have on our team at the Office of Administration a dedicated group of career civil servants who, from one year to the next, serve faithfully and loyally to the incumbent in office. They maintain an important institutional knowledge of Executive Office of the President operations.

We are concentrating our efforts on reducing employee turnover and have improved our employee incentive program. Our turnover rate for permanent staff declined in 1989 and we believe morale is high.

We believe this budget we have outlined today will support the Office of Administration in its role as the provider of a solid foundation of administrative support for the White House and the President's advisers throughout the Executive Office of the President.

In closing, I want to express my appreciation to your committee for your support during our first year in office and I look forward to a continuation of this relationship.

Thank you.

Mr. ROYBAL. Mr. Bateman, the first thing that stands out in your request is the increase of $6.3 million over last year's budget. That is approximately about a 34 percent increase.

MAINFRAME COMPUTER UPGRADE

Mr. **BATEMAN**. That's correct, Mr. Roybal. Let me put it into context for just a moment.

If we separate out the $4.5 or so million that we built in for the acquisition of a mainframe computer, our overall request would be consistent with most of the agencies in the Executive Office. It would be about 8.5 percent.

But because we do need to enhance our mainframe computing capabilities, we are seeking a substantial one-time increase in fiscal year 1991. Our budget would then taper off in the succeeding years.

Mr. **Roybal**. Is all this money going to be used for computers?

Mr. **Bateman**. No, not the entire $6.3 million. The bulk of it, almost three-quarters of it, would be used for computer enhancement.

Mr. **Roybal**. That means $4 million would be used for computer enhancement?

Mr. **Bateman**. Closer to $5 million, sir.

Mr. **Roybal**. It is even worse. Yes, $4.5.

Now what would happen if we got our allocation and we found that we could not increase it by $6.3 million?

Mr. **Bateman**. We would be severely pressed to be able to carry out some of our responsibilities in the area of running a sophisticated data center. We provide mainframe computer support to a number of federal agencies including the Office of National Drug Control Policy, the Office of Management and Budget, the White House Office, and we could go on through the Executive Office.

It is a sophisticated system. But it is a system that has, through time, become exhausted in terms of its capacity memory. Vendor servicing is also a problem. It has really reached the end of its useful life.

In the last year, we have witnessed growth in terms of use of that system by 12 percent. We cannot continue at that rate. We have truly exhausted our capacity.

I believe personally that this request should probably have been brought to you a year earlier; that in fact we erred in not coming to you sooner because we are on the edge of being unable to offer the complete service we are charged to provide.

Mr. **Roybal**. I can also see that every one of your requests is an increase over the previous year. So the entire Executive Office of the President is being increased; in its six segments, every one of its segments is increased with the exception of the last one, which is unanticipated needs, and that remains the same.

Now again we don't know what our 302(b) allocation is going to be. I personally suspect—I won't speak for the committee—that it is going to be rather tight. If that is the case, then we are going to have a rough time trying to comply with any request for increases.

That is why the question, what will happen if you didn't get the increase, because the chances are that we are going to be given an allocation that will not permit increases.

Mr. **Bateman**. If we didn't receive the increase, we would obviously have to make do. But we would probably consider buying some smaller systems to allow us to create a patchwork of systems.

Mr. **Roybal**. I would hate to see you do that because I think you should have the best in equipment no matter what department. You should have the best equipment available. It doesn't make any difference where.

But again there are times when you can't buy today and will have to wait until later to do it. And that is what we are faced with at the present time.

Now there are other departments that are being recommended to be decreased. It is very hard for a lay person like myself to understand how we can decrease one department but increase several others.

Mr. **Bateman**. I don't like being in this position of having to ask for such a large increase. But I believe it is the prudent thing to do.

One of the things we considered in making this decision was the option of leasing our machine versus purchasing our machine. Obviously in the near-term it looks better on paper when you lease. But in the out-years, of course, the government takes a harder hit.

We believe—and I realize the competing priorities, Mr. Roybal—but we believe in the end it is more cost-effective for us to acquire the machine through a purchase.

COMPUTER SECURITY

I might also add that in addition to the mainframe, some of the other monies we are requesting will allow us to enhance our computer security. This of course has been a constant concern of ours. We know that we are a highlighted target for the curious hacker out there who wants to see if he or she can break the system.

We want to build in an extra level of security and comfort for ourselves. We brought in, last year, a number of experts, including the National Security Agency, and asked them to conduct a review of our computer security. They have submitted to us a report and we are evaluating their recommendations to make sure that we don't compromise our system.

In addition, we have worked very closely with the Secret Service's Technical Security Division to ensure that we are not vulnerable through means of which they are aware.

Mr. **Roybal**. I hope you can get the best of equipment but again we are faced with that particular problem. And the other way to probably attack it is to maybe have half one year and the other half next year and not spend a full $4.7 million on computers at one time, at least not pay for them at one time.

Mr. **Bateman**. I can understand your feeling. We have discussed this with our procurement people. We have considered that approach but we don't believe it is workable given our environment.

So if you would like, we could go back and take a second look at it.

Mr. **Roybal**. Let's not do anything now, Mr. Bateman, because I am just speculating. I don't know what is going to happen. We may be able to get the allocation that we want. But we may not.

And at that time we can talk again if you would like. But at this time, let's just let things as they are and let us trust to good luck and we will see what happens.

Mr. **Bateman**. Okay. Thank you.

Mr. **Roybal**. Mr. Skeen.

Mr. **Skeen**. Thank you, Mr. Chairman.

Mr. Bateman, we keep going back to a little redundancy. Obviously you've got a severe problem in ADP potential or in output that you have that has been going on for some time.

I agree with the Chairman that first of all we ought to be able to allow you to go ahead and make this system because obviously you've got a mainframe problem and the whole system needs revamping.

And as quickly and as fast as this technology advances, one of the terrible things when you get behind it is that patching isn't going to help you and you ought to have the best available.

I don't know. I, too, am concerned about where we are on 302(b) allocations. We may have to work out something insofar as, can you do a little down now, pay a little each month or something of that ~~sort~~. That may not answer this problem, but I would advise to never put yourself in this position again and program this thing year by year so that you have adequate ADP upgrade in this things.

You are not the only agency that does this in the federal government. All of them do it. If they get into a personnel problem, they take it out of the equipment budget and they throw it into personnel.

We do that to you because we change the game up here. So I understand the contingencies that you had to go through.

CONTRACTOR CONVERSION

I noticed that there has been a shift or evidently a trend away from contracting services that you have had in your budget towards more of a permanent staff. Is this one that has been planned and deliberate?

If so, tell me why.

Mr. **Bateman**. We administer the largest contract in the Executive Office and that is for the support of our data center. We employ a contractor to run and manage the facility.

Mr. **Skeen**. So this is data-related as well?

Mr. **Bateman**. That's correct. Last year, with this committee's help, we received authority to convert ten positions in the current fiscal year, 1990, from contractors to government personnel.

We did that for two reasons. One, because we found it is more cost-effective, for certain jobs, for the government to employ the person than for a contractor.

The second reason we want to do it is to achieve a balance between the contractor and the government staff. There had been for some time a move to contract out the majority of the operation and we believed there was a certain imbalance that we wanted to correct.

We are seeking the conversion of twelve additional slots in the data area again in fiscal year 1991, and we believe that this will actually achieve a cost savings to the government.

Mr. **Skeen**. Doesn't this also give you a better control situation?

Mr. **Bateman**. Absolutely.

Mr. **Skeen**. And that I would think would be one of the critical aspects.

Mr. **Bateman**. It is indeed. It is not a reflection on the contractor or on contracting. We believe that is an important element of the government. But we believe you have to have balance.

Mr. **Skeen**. Well, and it is also a positive control balance.

Are your salary levels adequate? You mentioned your personnel and your morale and so forth. You believe it to be very high.

EMPLOYEE COMPENSATION

Are your salary levels adequate and how are you doing on recruitment and retention?

Mr. **Bateman**. We have witnessed a modest decline in turnover. That is somewhat encouraging considering that 1989 is the first year of the Administration and with the change of Administration we would expect some growth in turnover. Actually, it declined.

We believe morale is high. We have undertaken a number of programs to reward employees who perform exceptionally well. We believe that has gone a long way in keeping people on the job, productive, and happy as well.

We believe the salaries are adequate. Obviously everybody thinks they should make a little bit more, I am sure, from time to time.

Mr. **Skeen**. Everybody but the people in Congress.

Mr. **Bateman**. That's right. [Laughter.]

We believe it is competitive with other federal agencies and we see no need to increase the overall level.

Mr. **Skeen**. Well, I notice there has been a shift of an awful lot of personnel coming off the Hill going to the White House, so I think you probably have a good attraction basis for it as far as salary levels are concerned.

DRUG FREE WORKPLACE PLAN

I want to commend you on the work that you have done in compliance with the Drug Free Workplace. You mentioned that in your testimony. You have evidently got it very current insofar as the requirements. Isn't that so?

Mr. **Bateman**. That's correct. We started on December 7 testing all new applicants and we actually had a backlog of some 600 employees who had all signed acknowledgments when they entered employment after January 20, 1989, that they would at a later date consent to drug testing.

They have all done so. As I said earlier, we tested some 750 people. We have experienced no problems in the program.

Mr. **Skeen**. Have you had any dismissals?

Mr. **Bateman**. No, sir.

Mr. **Skeen**. You have not?

Mr. **Bateman**. No. Our success, I think, in part is because we had support from top management at the White House for this program. We did have an extensive education program at the outset so the employees would know what to expect when they went to the testing center and there would be no surprises.

The success of the program also results from the fact that we have been supported by some very good contractors and a very good lab which the Navy has provided us. So we have been very pleased to date.

We will, as I said earlier, begin random testing later this year, Mr. Skeen. We will have to see how the results come out, but that will obviously cause some concern and has been a matter before the courts on a number of occasions.

Mr. **Skeen**. But you have a program that is ongoing?

Mr. **Bateman**. That's correct.

Mr. **Skeen**. And current. That I commend you for because I think that is forward-thinking.

IMPACT OF TRANSITION

What has been the impact in the transition of the Office of Administration on the career element?

Mr. **Bateman**. The Office of Administration, with the exception of one employee, Mr. Irastorza to my left, are all career employees.

Mr. **Skeen**. Are all career?

Mr. **Bateman**. That's correct.

Mr. **Skeen**. He is the only non-career employee?

Mr. **Bateman**. That's correct. He is a political appointee.

Mr. **Skeen**. He looks pretty career-oriented to me. [Laughter.]

You mentioned your security on the data processing and that is an absolutely essential element. Evidently you have thought this through very carefully.

I have no further questions. Thank you for your responses.

Mr. **Bateman**. Thank you, Mr. Skeen.

Mr. **Roybal**. Mr. Akaka.

REIMBURSEMENTS TO THE OFFICE OF ADMINISTRATION

Mr. **Akaka**. Thank you, Mr. Chairman.

Your office anticipates $3.8 million in reimbursements during fiscal year 1991. You state that these funds will be earned largely from specialized automated systems development work which you expect to perform for the agencies.

What criteria do you use to determine whether the services you perform are reimbursed and to what rate?

Mr. **Bateman**. At the start of each fiscal year, we enter into an interagency agreement with the various agencies that would seek our work in the area of ADP support.

We do provide common support which would be training, installations, and maintenance work. When it comes to specialized work, such as software development, and writing of computer programs, we seek reimbursement. For example, the Office of Management and Budget has a program that you would know about because you funded it called Max 2000 which is a new system of budget formulation for the government.

So we would work with them in terms of developing that specialized, unique program. It would be a combination of our own employees as well as our contractors. But we would seek full reimbursement for that at an agreed upon rate at the outset, calculating the actual cost of the employees or the contractors that would be involved in that effort.

Mr. **Akaka**. What part does this mainframe computer play in this expectation?

Mr. **Bateman**. The mainframe that we discussed this morning would house much of the work that we would be developing for the different agencies in terms of large computing.

Mr. **Akaka**. Now besides servicing the agencies, you also service the President's advisors. How many advisors are there?

Mr. **Bateman**. It depends upon who you ask, I guess. [Laughter.]

I am sure everybody thinks they are an advisor of sorts. [Laughter.]

We support a number of agencies both within the EOP and outside of the EOP.

Mr. **Akaka**. I haven't heard a number so I thought maybe you had that magic number.

Mr. **Bateman**. Well, the White House Office is the President's personal staff and that totals some 338 people.

Mr. **Akaka**. Do you expect, with these changes you are asking, an increase in the amount of reimbursement from the agencies?

Mr. **Bateman**. Actually, Congressman, we are going the other way. We had sought to decrease some of our reimbursements because we thought it put us in an awkward position.

When we came into office last year, we found that the Office of Administration sought reimbursement from some agencies for what I would call common support, but not from others.

The White House Office and the Office of Management and Budget were reimbursing the Office of Administration for computer training, yet we would provide the same service to another EOP agency at no expense.

We believe it is our responsibility to provide common service, and that should include computer training and such services.

So we said that is our responsibility. We have absorbed those costs this fiscal year which is some $450,000, which we were seeking to restore in 1991.

But we absorbed those costs in FY 1990 because by charging EOP agencies we were forcing them to put us in a position of an outside contractor. And we were being forced to compete with the outside and agencies were shopping a la carte for our services: we will take that one; we don't want that one; we will get that one from somebody else. And it put a real burden on us.

So we said let's strip away the nonsense; this is our job and we will perform it at the lowest cost.

Mr. **Akaka**. If I understand correctly, of the 199 positions, you have 20 of them paid by the reimbursable funds?

Mr. **Bateman**. Yes, sir.

Mr. **Akaka**. So this means—and I am just guessing—that you can be flexible on those 20 positions depending on your expectations in reimbursement?

Mr. **Bateman**. If reimbursements decline, we would have to absorb the salaries of those employees into our personnel account.

PUERTO RICAN GRANTS

Mr. **Akaka**. My next question is on Puerto Rico. You said you are spending about $1.5 million helping them with their work there as they try to determine whether statehood, independence or commonwealth status best suit the people of Puerto Rico.

How does the office distribute these grants?

Mr. **Bateman**. If I might, I will ask Mr. Irastorza to answer that. He has worked directly on that project.

Mr. **Irastorza**. First, Mr. Congressman, on behalf of the people of Puerto Rico I want to thank this committee and Congress for making these monies available to realize the referendum of statehood.

As an Hispanic myself, I have had long dialogues with the three political parties of Puerto Rico to reach the grant agreements that we have with each of these parties.

These parties are the Popular Democratic Party of Puerto Rico, the Independence Party of Puerto Rico, and the New Progressive Party of Puerto Rico.

To date, we have reached, as I said earlier, agreements with all three parties. To this point, only the New Progressive Party has expended an amount of approximately $400,000 for reimbursables.

The Office of Administration administers these monies and we expect the full amount of $500,000 to be utilized by all three parties by November 1990.

Mr. **Akaka**. That's $500,000 per party?

Mr. **Irastorza**. Per party. A total of $1.5 million.

Mr. **Akaka**. Now has that been expended or is it still pending?

Mr. **Irastorza**. No. Still pending. Only approximately $400,000 has been expended.

Mr. **Akaka**. I couldn't go to the hearing that was held a couple weeks ago in Puerto Rico—I think—by the Interior Committee. I happen to have an interest in seeing how I can help in that area.

The report I have is that the hearings were very well done but the decision still needs to be made down the line. So I was interested in the grants and how they were working out there and whether they were fully expended.

How much is to be expended?

Mr. **Irastorza**. In total?

Mr. **Akaka**. Yes.

Mr. **Irastorza**. $1.5 million, $500,000 per party.

Mr. **Akaka**. But have they used all of these funds? I guess you mentioned $400,000.

Mr. **Rasmussen**. There has only been one claim that has been processed in the amount of approximately $360,000 and that was to the New Progressive Party.

We have been in contact with each of the other parties and they are in the process of submitting claims. We anticipate, based on earlier dialogue, that in fact all $1.5 million will ultimately be expended.

Mr. **Akaka**. I am not taking any side.

Mr. **Rasmussen**. Neither are we, sir. [Laughter.]

Mr. **Akaka**. What is best for Puerto Rico, and trying to help from that point on, that is my interest. Therefore I was interested in their funding.

I suppose you have had some guidelines established for these funds to these parties. For the kinds of activities that these parties carry on to reach this decision, are there any unique or interesting activities that you are legally funding?

Mr. **Irastorza**. No, not that I can think of.

Mr. **Bateman**. If I might add one thing. You raised the question of guidelines. We were concerned about this because we are not experienced grant makers. We brought in, on a short-term basis, a gentleman who had been formerly a Deputy Assistant Secretary at the Commerce Department, working in a grant-making agency, to help us devise the program to ensure that we have the necessary safeguards built into it.

We will require an audit of each of the grants at the conclusion of the program to ensure that the federal funds were properly spent.

Mr. **Rasmussen**. Mr. Akaka, if I could pick up on that.

Mr. **Akaka**. Surely.

Mr. **Rasmussen**. We also announced their guidelines in the Federal Register and prior to that we coordinated with the committees as well as specifically the Comptroller General of GAO.

DRUG TESTING PROGRAM

Mr. **Akaka**. My final question, Mr. Chairman, has to do with drugs. You stated that you have a testing program. How is that going and what kind of schedule do you have on the testing program?

Mr. **Bateman**. Prior to employees coming on board in any Executive Office of the President agency, they must submit to a urinalysis test. We have to wait for the results to come back before they actually join us.

It takes approximately five to seven days from the time the test is taken until the time that the results are finally read by our medical officer. We have a doctor who reviews each of the results.

Should an employee test positive—we haven't had this problem yet—they would be counselled and a doctor first would determine whether or not they had ingested any substance that might have triggered a false positive.

We do employ a counselling program as well, to assist employees who do suffer from substance abuse, whether it be alcohol or illegal drugs.

Mr. **Akaka**. Thank you very much for your response. Thank you, Mr. Chairman.

Mr. **Roybal**. Thank you, Mr. Akaka.

DETAILEE LISTING

Mr. Bateman, one last request. We would like to request of you that you provide the committee with a listing of personnel detailed to the Executive Office of the President for the last three years.

I would like to have you do that by type of personnel, their grade and their length of detail, the agency from which they were detailed, and you can also add whether or not there was reimbursement in each case.

Mr. **Bateman**. Yes, sir. We will do that.

Mr. **Roybal**. Thank you. Thank you, Mr. Bateman, for your testimony and we will go on now to the next item, which is the Special Assistance to the President.

[The information follows:]

Report Prepared 3/28/90

EOP DETAILEE SUMMARY
(by Fiscal Year & Length of Detail)
(AS OF MARCH 1, 1990)

FY	POSITION	GS LEVEL OR EQUIVALENT	FROM	LENGTH OF DETAIL (IN DAYS)	REIMB OR NON REIMB
88	Confidential Assistant	GS-9	EEOC	2	N
88	Staff Assistant	NA	NSA	3	N
88	Staff Assistant	Uncl	OMB	4	N
88	Secretary	NA	NSC	5	N
88	Secretary	GS-11	VA	5	N
88	Administrative Assistant	GS-8	HUD	9	N
88	Associate Counsel	Uncl	Justice	10	N
88	Associate Counsel	GS-13	Justice	10	N
88	Staff Assistant - Military ESSGT	Military	DUSA	16	N
88	Staff Assistant - Military	Military	Justice	16	N
88	Staff Assistant	NA	Commerce	19	N
88	Staff Assistant	NA	DOT	19	N
88	Dep Asst to Pres for Dom Affairs	GS-18	NSC	20	N
88	Associate Counsel	Uncl	Justice	27	N
88	Associate Director	GS-15	GSA	30	N
88	Deputy Assoicate Director	NA	Agriculture	33	N
88	Intelligence Analyst	NA	DOD	34	N
88	Staff Assistant	NA	Defense	40	N
88	Associate Counsel	Uncl	Justice	48	N
88	Staff Assisant - Military	Military	Defense	49	N
88	Special Assisant	GS-14	NSA	49	N
88	Deputy Associate Director	GS-9	Commerce	51	N
88	Archive Technician	GS-6	Archives	52	N
88	Staff Assistant	GS-9	Energy	52	N
88	Archivist	GS-11	Archives	59	N
88	Analyst - Military	Military	DOD	60	N
88	Staff Assisant	NA	HHS	61	N
88	Secretary	NA	Justice	62	N
88	Staff Assistant	NA	HUD	76	N
88	Staff Assistant	NA	Labor	76	N
88	Staff Assistant	GS-6	HUD	80	N
88	Administrative NCO	Military	Army	88	N
88	Staff Assistant	NA	HHS	88	N
88	Archivist	GS-12	Archives	95	N
88	Administrative Assistant	GS-9	State	96	N
88	Staff Assistant - Military SGT	Military	Army	107	N
88	Analyst - Military	Military	USN	107	N
88	Supervisory Archivist	GS-12	Archives	136	N
88	Secretary	GS-9	State	137	N
88	Staff Assistant	NA	HHS	152	N
88	Staff Assistant	NA	Justice	152	N

88	Staff Assistant	GM-15	State	156	N
88	Secretary	GS-9	State	156	N
88	Public Diplomacy Coordinator	NA	USIA	156	N
88	Special Assistant	NA	Agriculture	164	N
88	Staff Assistant	NA	Justice	183	R
88	Secretary - Military	GS-6	DOD-Navy	185	N
88	Staff Assistant	GS-11	Labor	207	R
88	Administrative Assistant	GS-8	HHS	209	R
88	Deputy Associate Director	GS-9	Justice	212	R
88	Staff Assistant	NA	Education	224	N
88	Staff Assistant	NA	EPA	225	N
88	Staff Assistant	NA	Agriculture	228	N
88	Staff Assistant	NA	Justice	229	N
88	Staff Assistant	NA	Energy	230	R
88	Confidential Assistant	GS-9	HUD	247	R
88	Executive Assistant	GS-10	AID	248	R
88	Deputy Associate Director	GS-9	HUD	249	R
88	Secretary	GS-11	OMB	251	R
88	Office Manager	GS-10	HHS	252	R
88	Staff Assistant	GS-8	Energy	266	R
88	Staff Assistant	GS-6	Treasury	270	R
88	Special Projects Coordinator	GS-15	AID	276	R
88	Staff Attorney	Uncl	OA	276	R
88	Deputy Associate Director	GS-12	Agriculture	289	R
88	Staff Assistant	GS-8	OPM	300	R
88	Executive Assistant	GS-14	DOT	304	R
88	Deputy Associate Director	GS-11	Energy	304	R
88	MSG - Military	Military	Army	305	N
88	Special Asst to the Director	GS-11	SBA	305	R
88	Secretary	GS-9	Interior	306	R
88	Administrative Assistant	GS-12	HUD	310	R
88	Staff Assistant	NA	HUD	327	R
88	Spec Asst to Pres for Dom Aff	GS-15	Justice	331	R
88	Confidential Assisant	GS-12	DOT	362	R
88	Staff Assistant	NA	Treasury	365	N
88	Executive Secretary	GS-10	Agriculture	366	R
88	Assoc Dir/Spec Proj for PSI	GS-13	Army	366	R
88	Staff Assistant - Military	NA	Army	366	N
88	Special Assistant	GS-9	Commerce	366	R
88	Staff Asssistant - Military	Military	Defense	366	N
88	Executive Assistant	GS-12	Defense	366	R
88	Staff Assistant - Military	NA	DUSAF	366	N
88	Staff Assistant	GS-7	Education	366	R
88	Deputy Associate Director	GS-13	Education	366	R
88	Deputy Associate Director	GS-12	Education	366	R
88	Research Assisant	GS-10	Education	366	R
88	Trip Coordinator	GS-10	Education	366	R
88	Special Assistant	GS-11	Energy	366	R
88	Correspondence Secretary	GS-11	Energy	366	R
88	Assoc Dir/Prog for Priv Sec Inti	GS-12	EPA	366	R
88	Associate Director	SES 1	HHS	366	R
88	Deputy Associate Director	GS-13	HUD	366	R

88	Staff Assistant	GS-11	HUD	366	R
88	Staff Assistant	GS-9	HUD	366	R
88	Deputy Associate Director	GS-13	Interior	366	R
88	Associate Director	GS-14	Interior	366	R
88	Staff Assistant	NA	Justice	366	R
88	Associate Director	GS-14	Justice	366	R
88	Deputy to the Director	GS-13	Justice	366	R
88	Staff Assistant	GS-15	OA	366	R
88	Staff Assistant	GS-8	SBA	366	R
88	Associate Director	GS-11	State	366	N
88	Dep Asst Pres/Dep Press Sec	FS-02-05	State	366	R
88	Staff Assistant	GS-7	Treasury	366	R
88	Associate Director	GS-14	VA	366	R

89	Mail Clerk	GS-4	GSA	8	N
89	Staff Assistant	GS-14	Labor	16	N
89	Mail Clerk	GS-4	GSA	18	N
89	Staff Assistant	GS-7	OPM	23	N
89	Staff Assistant	GS-5	Energy	24	N
89	Mail Clerk	GS-3	GSA	24	N
89	Mail Clerk	GS-4	GSA	24	N
89	Staff Assistant	GS-15	Interior	25	N
89	Publications Officer	GS-13	GPO	28	N
89	Special Assistant	GS-13	Labor	28	N
89	Mail Clerk	GS-4	GSA	33	N
89	Facilities Assistant	GS-10	GSA	42	N
89	Staff Assistant	GS-7	DOT	46	N
89	Staff Assistant	GS-7	HHS	53	N
89	Executive Assistant	GS-13	CEQ	56	N
89	Staff Assistant	GS-7	DOT	61	N
89	Special Assistant	GS-13	Interior	61	N
89	Contract Specialist	GS-12	GSA	77	N
89	Associate Director	GS-15	GSA	78	N
89	Staff Assistant	NA	AID	80	N
89	Staff Assistant	GS-7	AID	84	N
89	Position Classification Spec'st.	GS-14	NSF	85	N
89	Staff Assistant	GS-7	Agriculture	88	N
89	Special Assistant	GS-12	Commerce	88	N
89	Personnel Assistant	GS-7	FDIC	89	N
89	Research Assistant	GS-10	Education	92	N
89	Special Assistant	GS-12	AID	97	N
89	Special Assistant	GS-9	Commerce	98	N
89	Computer Specialist	E-4	Army	101	R
89	Secretary	GS-10	Justice	104	N
89	Staff Assistant	GS-11	Energy	105	N
89	Staff Assistant	NA	Agriculture	111	N
89	Staff Assistant	NA	Education	111	N
89	Staff Assistant	NA	Energy	111	N
89	Associate Director	GS-13	Defense	112	N
89	Executive Assistant	GS-12	Defense	112	N

89	Staff Assistant	GS-7	Education	112	N
89	Secretary	GS-9	Education	112	N
89	Deputy Associate Director	GS-12	Education	112	N
89	Staff Assistant	GS-8	Energy	112	N
89	Associate Director	GS-15	HHS	112	N
89	Staff Assistant	GS-9	HUD	112	N
89	Secretary	GS-9	Labor	112	N
89	Staff Assistant	GS-8	SBA	112	N
89	Staff Assistant	GS-6	Treasury	112	N
89	Special Assistant	GS-12	DOT	118	N
89	Curator	GS-15	EPA	122	N
89	Secretary	GS-7	DOT	123	N
89	Staff Assistant	GS-7	Labor	124	N
89	Staff Assistant	GS-12	AID	125	N
89	Staff Assistant	GS-9	Commerce	125	N
89	Staff Assistant	GS-10	Defense	125	N
89	Trip Coordinator	GS-9	Education	125	N
89	Deputy Associate Director	GS-13	Education	125	N
89	Secretary	GS-11	Energy	125	N
89	Deputy Associate Director	GS-12	HUD	125	N
89	Staff Assistant	GS-6	HUD	125	N
89	Associate Director	GS-11	HUD	125	N
89	Deputy Associate Director	GS-12	Interior	125	N
89	Staff Assistant	GS-6	Justice	125	N
89	Executive Assistant	GS-13	Justice	125	N
89	Staff Assistant	GS-8	OPM	125	N
89	Administrative Assistant	GS-9	State	125	R
89	Staff Assistant	GS-6	Treasury	125	N
89	Associate Director	GS-13	VA	125	N
89	Associate Director	GS-12	EPA	126	N
89	Staff Assistant	GS-7	HHS	126	N
89	Special Assistant	GS-12	Commerce	127	N
89	Special Assistant	GS-12	HHS	137	N
89	Facilities Assistant	GS-10	Justice	138	N
89	Staff Assistant	GS-7	Agriculture	148	N
89	Staff Assistant	GS-9	OMB	151	N
89	Staff Assistant	NA	VA	154	N
89	Staff Assistant	GS-15	OMB	166	N
89	Staff Assistant	GS-7	Agriculture	172	N
89	Secretary	GS-13	Commerce	172	N
89	Special Assistant	GS-13	Justice	177	N
89	Staff Assistant	GS-7	OPM	177	N
89	Staff Assistant	GS-7	SBA	179	N
89	Staff Assistant	GS-11	CIA	180	N
89	Special Assistant	GS-13	Commerce	180	N
89	Staff Assistant	GS-10	DoD	180	N
89	Staff Assistant	GS-7	Interior	180	N
89	Staff Assistant	GS-7	OPM	185	R
89	Special Assistant	GS-13	Commerce	187	R
89	Special Assistant	GS-13	Defense	187	R
89	Staff Assistant	GS-10	DoD	187	N
89	Payroll Technician	GS-7	OPM	187	E

89	Special Assistant	GS-13	Treasury	187	R
89	Special Assistant	GS-13	Treasury	187	R
89	Staff Assistant	GS-7	HHS	188	R
89	Mail Clerk	GS-4	GSA	194	R
89	Special Assistant	GS-13	Agriculture	196	R
89	Special Assistant	GS-13	HUD	196	R
89	Staff Assistant	GS-11	CIA	202	N
89	Associate Director	GS-14	Interior	203	R
89	Deputy Associate Director	GS-14	Labor	208	R
89	Deputy Associate Director	GS-13	GSA	214	R
89	Staff Assistant	NA	State	231	N
89	Special Assistant	GS-13	USIA	234	R
89	Deputy Associate Director	GS-15	Justice	235	R
89	Special Assistant	GS-9	Energy	236	R
89	Staff Assistant	GS-9	HHS	236	R
89	Staff Assistant	GS-12	Treasury	237	R
89	Special Assistant	GS-11	Energy	238	R
89	Deputy Associate Director	GS-13	Treasury	238	R
89	Staff Assistant	GS-12	Interior	244	N
89	Special Assistant	GS-14	Labor	244	R
89	Staff Assistant	GS-6	DOT	245	R
89	Staff Assistant	GS-9	Treasury	246	R
89	Executive Assistant	GS-12	Justice	248	R
89	Director of Administration	GS-15	Commerce	250	R
89	Staff Assistant	GS-9	Defense	250	N
89	Deputy Associate Director	GS-13	DOT	250	R
89	Special Assistant	GS-11	Education	250	R
89	Staff Assistant	GS-7	Education	250	R
89	Deputy Associate Director	GS-13	Education	250	R
89	Staff Assistant	GS-7	Energy	250	R
89	Staff Assistant	GS-9	EPA	250	R
89	Deputy Associate Director	GS-14	GSA	250	R
89	Staff Assistant	GS-7	HUD	250	R
89	Staff Assistant	GS-5	HUD	250	R
89	Staff Assistant	GS-7	Interior	250	R
89	Executive Assistant	GS-10	Navy	250	R
89	Staff Assistant	GS-8	EPA	317	R
89	Axecutive Assistant	GS-12	Agriculture	360	R
89	Special Assistant	GS-12	Agriculture	360	R
89	Associate Director	GS-12	Agriculture	360	R
89	Staff Assistant	GS-7	HHS	360	R
89	Staff Assistant	GS-7	HUD	360	R
89	Staff Assistant	GS-8	Justice	360	R
89	Dir. Computer/Information Center	GS-14	Justice	360	R
89	Dep Asst to Pres/Dep Press Secty	UNCL	State	360	R

90	Special Assistant	GS-14	Labor	16	N
90	Associate Director	GS-13	Education	51	N
90	Contract Specialist	GS-12	Education	54	N
90	Staff Assistant	GS-8	EPA	55	N

90	Pay Specialist	GS-13	OPM	82	N
90	Computer Systems Analyst	GS-14	DCA	96	N
90	Deputy Associate Director	GS-14	GSA	144	N
90	Staff Assistant	GS-7	HUD	144	N
90	Executive Assistant	GS-12	Agriculture	151	N
90	Associate Director	GS-12	Agriculture	151	N
90	Staff Assistant	GS-7	Agriculture	151	N
90	Director of Administration	GS-15	Commerce	151	N
90	Secretary	GS-13	Commerce	151	N
90	Staff Assistant	GS-9	Defense	151	N
90	Special Assistant	GS-12	DOT	151	N
90	Deputy Associate Director	GS-13	DOT	151	N
90	Staff Assistant	GS-7	Education	151	N
90	Special Assistant	GS-11	Education	151	N
90	Deputy Associate Director	GS-13	Education	151	N
90	Special Assistant	GS-9	Energy	151	N
90	Staff Assistant	GS-7	Energy	151	N
90	Staff Assistant	GS-5	Energy	151	N
90	Staff Assistant	GS-8	EPA	151	N
90	Staff Assistant	GS-9	EPA	151	N
90	Deputy Associate Director	GS-13	GSA	151	N
90	Staff Assistant	GS-7	GSA	151	N
90	Staff Assistant	GS-9	HHS	151	N
90	Staff Assistant	GS-7	HHS	151	N
90	Staff Assistant	GS-7	HUD	151	N
90	Staff Assistant	GS-9	HUD	151	N
90	Staff Assistant	GS-7	Interior	151	N
90	Staff Assistant	GS-7	Interior	151	N
90	Speechwriter	UNCL	Justice	151	N
90	Executive Assistant	GS-12	Justice	151	N
90	Director Computer/Information Cent	GS-14	Justice	151	N
90	Staff Assistant	GS-8	Justice	151	N
90	Deputy Associate Director	GS-14	Labor	151	N
90	Deputy Associate Director	GS-14	Labor	151	N
90	Executive Assistant	GS-12	Navy	151	N
90	Staff Assistant	GS-7	OPM	151	N
90	Staff Assistant	GS-7	OPM	151	N
90	Dep Asst to Pres/Dep Press Sec'y	UNCL	State	151	N
90	Staff Assistant	GS-9	Treasury	151	N
90	Staff Assistant	GS-7	HHS	160	N

NA = Information Not Available
AD = Administratively Determined
Uncl = Unclassified

NOTE: FOR FY 1990, AS OF THE DATE OF THIS REPORT, NO DETAILEES HAD BEEN ON BOARD FOR MORE THAT 180 DAYS, THEREFORE ALL ARE DESIGNATED WITH AN "N" INDICATING THAT NO REIMBURSEMENT HAS TAKEN PLACE. FOR ANY DETAILEES

EXECUTIVE OFFICE OF THE PRESIDENT

SPECIAL ASSISTANCE TO THE PRESIDENT

Statement of Paul W. Bateman
Before the Appropriation Subcommittee on the Treasury, Postal,
and General Government
United States House of Representatives

Mr. Chairman and Members of the Committee:

The appropriation request for the Special Assistance to the President account will enable the Vice President to carry out his statutory and presidentially assigned duties to provide assistance to the Chief Executive.

The fiscal year 1991 appropriation request for the Special Assistance to the President account is $2,587,000 and 26 full time permanent positions. This represents an increase of $284,000 and two positions over the fiscal year 1990 post sequester budget authority. Funding in the amount of $106,000 is requested to offset pay raises and other inflationary increases. The Vice President's Office also is requesting funding for three initiatives which are vital to support the Vice President in his Executive branch duties.

First, two new positions are requested in currently understaffed areas that are essential to maintain an orderly and effective flow of information within the Vice President's Office. An administrative position is requested to assist in controlling and processing the extensive amount of briefing material and correspondence that crosses the Vice President's desk each day. Also, a policy position is requested to supplement staff resources available to the Vice President to assist him on the new domestic initiatives in which he is engaged, such as the space program. These two positions represent the first increase to the Office of the Vice President's staffing authority since fiscal year 1986.

Since taking office, the Vice President has engaged in an active and extensive travel agenda. Based upon the experience gained during the first year in office, an increase of $40,000 is included in this budget request. This increase is based upon anticipated actual travel needs for the current fiscal year, as well as inflationary pressures in the area of commercial travel. The fiscal year 1991 request represents the first increase in the travel area since fiscal year 1988 for the Vice President's Office. In addition, due to the active travel schedule the Vice President has experienced during fiscal year 1990, it may be necessary for us to seek reprogramming flexibility for this account during the current fiscal year as well.

Finally, the Vice President's Office intends to begin improving its office automation capabilities. In recent years, purchases in the area of office automation equipment have been almost continuously deferred in order to fund cost of living pay raises and the 1990 sequestration. As a result, the Vice President's Office has a limited amount of personal computing equipment, and that which it does have is severely outdated. In fiscal year 1991, funding is sought to restore this area to its base level of funding, as well as initiate the first year of a two year plan to upgrade the office's existing automated data processing capability.

In closing, the fiscal year 1991 Vice President's Office request represents a very austere budget. While it does include funding for items such as travel and new positions, we feel the overall increase is modest, but necessary to maintain a desirable level of operations for the Vice President's Office.

Mr. **Bateman**. Thank you, Mr. Chairman.

This appropriation request will enable the Vice President to carry out his statutory and Presidentially assigned duties to provide assistance to the Chief Executive.

For fiscal year 1991, our appropriation request is $2,587,000 for 26 full-time permanent positions. This represents an increase of $284,000 and two positions over the fiscal year 1990 post sequester budget authority.

Funding in the amount of $106,000 is requested to offset pay raises and other inflationary increases. The Vice President's Office also is requesting funding for three initiatives which are vital to the support of the Vice President in his Executive Branch duties.

The two new positions we request will allow us to do two things: one, maintain an orderly and effective flow of information within the Vice President's Office; and second, to provide additional policy staff in the area of domestic issues. These represent the first increases to the Vice President's staff since fiscal year 1986.

Since taking office, the Vice President has engaged in an active and extensive travel agenda as well. Based upon the experience gained during the first year in office, we believe an increase of $40,000 should be included in this budget request.

This is based upon the Vice President's projected travel levels for the current fiscal year as well as inflationary pressures in the area of commercial travel.

The fiscal year 1991 request represents the first increase in the travel area since fiscal year 1988. It may be necessary, I should add, for us to seek reprogramming flexibility for this account during the current fiscal year as well.

Finally, Mr. Chairman, the Vice President's Office intends to begin improving its office automation capabilities. In recent years, purchases in the area of office automation have almost continuously been deferred in order to fund cost of living pay increases and the 1990 budget sequestration.

As a result, the Vice President's Office has a limited amount of personal computing equipment. Funding is sought to restore this area to its base level of funding, as well as initiate the first year of a two-year plan to upgrade the office's existing automated data capability.

In closing, Mr. Chairman, the fiscal year 1991 Vice President's Office request represents what we believe is a very austere budget. While it does include funding for such items as travel and new positions, we feel the overall increase is modest and it is necessary to maintain a desirable level of operations for the Vice President's Office.

Mr. **Roybal**. Now the increase that you are making reference to is $284,000?

Mr. **Bateman**. That's correct, sir.

FUNCTIONS OF THE VICE PRESIDENT'S OFFICE

Mr. **Roybal**. Now what function does this office perform for the Vice President and how does it differ from the legislative staff that he has for his duties as President of the Senate?

Mr. **Bateman**. This account provides for 24 employees. Currently, the Vice President does have a legislative staff of a total of 34 which is funded separately, as you know.

This account funds those activities that the Vice President performs in his role as an advisor to the President and they are related directly to Executive Office functions. They are, we believe, separate and distinct from his legislative functions.

Mr. **Roybal**. Thank you. Mr. Skeen.

COORDINATION WITH THE WHITE HOUSE OFFICE

Mr. **Skeen**. Thank you, Mr. Chairman. How do you handle coordination between the White House and the Office of the Vice President, particularly in the instance when they are attending the same functions and so forth. Is it a very close liaison or how does it work?

Mr. **Bateman**. The Vice President's executive staff is housed down at the White House complex. It is a very cordial and collegial environment. We work very closely with the Vice President's staff in coordinating not only policy issues but social functions as you alluded to.

Mr. **Skeen**. So it is a constant and comfortable coordination?

Mr. **Bateman**. Indeed.

Mr. **Skeen**. I would think it would have to be.

REQUEST FOR ADDITIONAL STAFF

There is a request here for two additional FTEs in this category. What are their duties?

Mr. **Bateman**. One is to augment the Vice President's domestic policy staff to allow him to pursue a more active agenda in that area. The second person will be brought on to facilitate the increased flow of documents and correspondence that go to the Vice President each day.

Mr. **Skeen**. What is the total number of FTEs?

Mr. **Bateman**. We are seeking now 26 FTEs for next fiscal year. Currently it is at 24, Mr. Skeen.

Mr. **Skeen**. You've got 24 now and you want 26. Thank you.

Mr. **Bateman**. Thank you.

Mr. **Skeen**. Thank you, Mr. Chairman.

Mr. **Roybal**. Mr. Akaka.

Mr. **Akaka**. Mr. Bateman, as a rule this committee—maybe I should speak for myself—is soft on your administrative responsibilities and budget. So I would say very often we don't run up against what you are trying to propose; we just want to be clear on what is happening. So I will tell you that this is a very friendly committee to what you are trying to do. We would like to see of course, our executives have the best to be able to operate within the offices.

So having said that, I want to tell you that we are proud of our executives and stand ready to help, knowing that you are fully responsible and endeavor to be prudent. With that, I want to say thank you very much.

Mr. **Bateman**. Thank you, sir.

STAFF FOR THE VICE PRESIDENT'S SPOUSE

Mr. **Roybal**. Mr. Bateman, some questions that we ask every year, and while we may know the answer, we are asking again for the record.

Does the wife of the Vice President have a staff?

Mr. **Bateman**. She does. Approximately five positions in this account are devoted to assisting Mrs. Quayle in her duties.

Mr. **Roybal**. And how are they funded?

Mr. **Bateman**. They are funded out of this account.

Mr. **Roybal**. Okay. I don't have any other questions on this.

Mr. **Bateman**. It might please the committee to know that we do not have any detailees in this account, which is a decrease from I believe eleven during the last fiscal year. So we have heeded your concerns and warnings and have sought to accomplish that.

Mr. **Roybal**. I would like to thank you, Mr. Bateman. I would like to go now to the Official Residence of the Vice President.

[The information follows:]

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICIAL RESIDENCE OF THE VICE PRESIDENT

Statement of Paul W. Bateman
Before the Appropriations Subcommittee on Treasury, Postal, and General Government
United States House of Representatives

Mr. Chairman and Members of the Committee:

The Vice President's Residence is located on the grounds of the Naval Observatory and serves both as a facility for official functions and home for the Vice President and his family. This account funds the operation and maintenance of the Temporary Official Residence of the Vice President.

Included in this budget request is $296,000 to fund on-going services and maintenance in support of the residence. Included in this funding level is an increase of $38,000 over fiscal year 1990 to supplement the residence's Representation allowance and fund pay and inflationary increases. The increase in the Representation account will allow the Vice President the flexibility to adequately support an anticipated full agenda of official functions at the residence.

A comprehensive review of the fundamental structural condition of the residence, and its long-term maintenance requirements, was completed in the last year. This study was undertaken to establish a sound foundation for future budgeting and planning purposes. The fiscal year 1990 budget contains funding to satisfy the urgent need to make the Vice President's residence accessible to the handicapped. In addition, the Congress appropriated monies to allow for repairs and renovations to the third floor living quarters of the residence which are necessary to correct deficiencies in the home and to accommodate the new Vice President's larger family. Renovation plans and drawings for both of these projects are nearing completion and the Vice President's Office hopes to initiate construction activities in the next few weeks.

The second year of restoration projects has been identified and included in the fiscal 1991 request. The requested amount for the second phase is $330,000. The most significant undertaking of this second phase is the proper repair and restoration of moisture damaged walls and plaster ceilings throughout the residence. The requested amount for the replastering is $220,000. Except in selected cases, the plaster walls and ceilings are from the original construction in 1893. Moisture infiltration has been a long-standing and expensive problem and this project will require extensive retro-fitting of the building's insulation system. In addition, $60,000 is requested to strip, repair, and repaint all damaged and unsightly doors, door trim, window moldings, ceiling cornices, and baseboards. Finally, electrical repairs and replacement of waterproof tiles are also necessary.

Last, an annual preventive maintenance program will be initiated, consisting of regular inspections and routine upkeep of the residence's infrastructure. This program is intended to avert the need for any unforseen major repair work on the residence in the future, thereby avoiding the patchwork approach to repairs that has occurred in the past.

We believe this request will provide sufficient funding to suitably support the daily official operations of the Vice President's Residence. Further, the requested enhancements from the maintenance plan will enable the continued pursuit of a multi-year program to correct and restore the structural and mechanical condition of the residence. We will be pleased to account separately for the renovation monies by providing the committee with full reports on the progress of proposed initiatives.

I would like to express our appreciation for the support this committee has provided with regard to the residence over the last year. Repairs and renovations of the extent requested are not easy tasks given the age of the residence. We are grateful for the cooperation the committee has shown in the past and we look forward to continued good relations.

Mr. **Bateman**. Mr. Chairman, the Vice President's residence is located on the grounds of the Naval Observatory in the District and serves both as a facility for official functions and as the home for the Vice President and his family.

This account funds its operation and maintenance as the temporary official residence of the Vice President. Included in this budget request is $296,000 to fund ongoing maintenance in support of that residence.

Included in this funding level is an increase of $38,000 over fiscal year 1990 to supplement the residence's representation allowance and to fund pay and inflationary increases.

The increase in the representation account will allow the Vice President the flexibility to adequately support the official functions at the residence.

A comprehensive review of the fundamental structural condition of the residence and its long-term maintenance requirements was completed last year. The study was undertaken to establish a sound foundation for future budgeting and planning purposes.

The fiscal year 1990 budget contains money to make the Vice President's residence accessible to the handicapped. In addition, the Congress appropriated monies to allow for repairs and renovation to the third floor living quarters to correct deficiencies in the home and to accommodate the new Vice President's larger family.

Renovation plans for both of these projects are nearing completion and the Vice President's Office hopes to initiate construction activities in the next few weeks.

The second year of restoration projects has been identified and included in the fiscal year 1991 request before you. The requested amount for the second phase is $330,000 for projects including the proper repair and restoration of moisture-damaged walls and plaster ceilings throughout the home.

Moisture infiltration has been a long-standing and expensive problem and this project will require extensive retrofitting of the building's insulation system. In addition, $60,000 is requested to strip, repair and repaint all damaged doors, door trims, window moldings, ceiling cornices and baseboards. Finally, electrical repairs and replacement of waterproof tiles are also necessary.

Last, an annual preventive maintenance program will be initiated, consisting of regular inspections and routine upkeep of the residence's infrastructure. This program is intended to avert the need for any unforeseen major repair work on the residence in the future, thereby avoiding the patchwork approach to repairs that has occurred in the past.

We believe this request will provide sufficient funding to suitably support the daily official operations of the Vice President's residence. Further, the requested enhancements from the maintenance plan will enable the continued pursuit of a multi-year program to correct and restore the structural and mechanical condition of the residence.

We will be pleased to account separately for the renovation monies by providing the committee with full reports on the progress of proposed initiatives.

Thank you, Mr. Chairman, that concludes my remarks.

FY 1990 RENOVATIONS

Mr. **Roybal**. Mr. Bateman, last year this committee appropriated $200,000—I think that was the figure—for the purpose of doing something with regard to the third floor. Now in general what is the condition of the Vice President's residence, including the third floor?

Mr. **Bateman**. It is a home constructed in 1893, Mr. Chairman, and it has not been attended to probably in the manner in which it should have been in terms of ensuring long-range maintenance.

It has received, as I alluded in my remarks, patchwork efforts over the years to correct minor problems. This effort has really exacerbated the problems of the home.

We did receive $200,000 from you last year to make certain renovations and structural repairs to the third floor. We want to begin work in a matter of days on that with the monies you provided.

Those funds will be supplemented by privately donated monies, approximately $150,000, for a total estimated cost of $350,000.

You can probably define half of the work as structural and half as reconfiguration of space. In that reconfiguration, it is primarily on the third floor which will allow the Quayle family to be comfortable in that house.

They are the first occupants since the structure was designated as the Vice President's residence in 1974 to represent a full family. The Quayles have a young, active family. They have three children who live at home with them and this will accommodate their needs.

Mr. **Roybal**. Why did the press make such a fuss over the $200,000 that was appropriated?

You don't have to answer that, but it seems to me that too much a fuss was made over something that was needed. Now here is a growing family that should have at least a bedroom that is usable and, a bath and that is all this committee is trying to do.

But still we got a great deal of criticism. I did personally, even in my own District. It was a matter of having to explain it.

Now one of the things that I felt right along at the very beginning of this whole thing was that what we should have done with that residence is to gut it. Leave the outside, gut it and do it all brand new inside.

That is what I would have done. But we didn't do it and I think in the long run it is going to cost us more money.

But that is a matter of opinion and it is not relevant really to your budgetary requests, but it is a matter of concern to us when we try to do something that we think is good, and that we get so much criticism as a result.

RENOVATION CONTRACT

Now this work that is going to be starting, it will be done by the GSA? Will they perform the work? Who will do it?

Mr. **Bateman**. The work will be done by a private contractor. We sought a competitive award with contractors that were cleared for this sort of work, that had the necessary security clearances to ensure there wasn't any harm done to the residence or the family.

Mr. **Roybal**. Is that going to be open competition?

Mr. **Bateman**. It has been done. The competition was not open in terms of allowing every contractor. There had to be only certain contractors allowed to bid on it. I believe there were about half a dozen.

Mr. **Roybal**. But there were half a dozen that were bidding on the contract?

Mr. **Bateman**. That's correct.

We will begin work shortly and we expect it to be done in twelve weeks time.

Mr. **Roybal**. For a contractor, that is very good.

Mr. **Bateman**. We are very pleased. We believe we have a good working relationship with the contractor who has done this type of work before and has done work for the Executive Office in the past. We believe he will do a first rate job for us.

Mr. **Roybal**. I think the Vice President's wife will be pleased. She will be inconvenienced for only twelve weeks.

I hope you have that in writing. [Laughter.]

Mr. **Bateman**. The contract negotiation has been administered by the Vice President's counsel, a fellow named Randolph Wilson who I believe is a first-rate attorney.

Mr. **Roybal**. But has he ever had any work done in his home by a contractor? [Laughter.]

Mr. **Bateman**. I can't speak to that.

Mr. **Roybal**. It makes a difference. [Laughter.]

Do you have anything, Mr. Skeen?

REPAIR OF MOISTURE DAMAGE

Mr. **Skeen**. Yes, Mr. Chairman. Let's go back to the moisture problem. We have dealt with that ever since I have been on this committee. I got the impression when we first talked about it that it was a condensate, the way the building was constructed that it was conducive to wall-sweating.

Has that been handled? Have we had an effective response to that problem as far as the engineering and construction?

Mr. **Bateman**. Some of the work we are going to be doing in the next few weeks will alleviate that problem. Almost all of the walls in the residence are the original walls from its construction in 1893 and it is consistent with what other buildings of that age—

Mr. **Skeen**. No moisture barriers. They didn't know anything about that.

Mr. **Bateman**. Our efforts have been hampered by excessive leaking over time from the roof. And you have provided monies in this current fiscal year to allow us to repair certain portions of the roof that have aggravated the problem. And we believe that will take care of the leakage problems.

Mr. **Skeen**. It is a very expensive process.

Mr. **Bateman**. Yes, sir.

Mr. **Skeen**. In the overall, just in handling the moisture problem.

COORDINATION WITH NAVY

Has there been any reimbursement of renovation funds from the Navy?

Mr. **Bateman**. The Navy, which does perform limited work at the residence, is reimbursed out of this account, yes.

Mr. **Skeen**. So you reimburse them?

Mr. **Bateman**. That's correct.

Mr. **Skeen**. Thank you

Mr. **Bateman**. Thank you, sir.

Mr. **Skeen**. Thank you, Mr. Chairman.

Mr. **Roybal**. Mr. Akaka.

Mr. **Akaka**. Thank you, Mr. Chairman.

Does the Navy still have jurisdiction over the land and building there?

Mr. **Bateman**. Yes, sir. They own the property.

Mr. **Akaka**. I see.

Off the record, Mr. Chairman.

(Discussion off the record)

Mr. **Akaka**. As you can see, we are very supportive on this. I have to leave, but I just want to say on the next item, unanticipated needs, that I don't have any questions.

Mr. **Roybal**. All right, sir.

Mr. **Akaka**. Thank you very much for your testimony today.

Mr. **Bateman**. Thank you, sir.

REPRESENTATION ACCOUNT

Mr. **Roybal**. Mr. Bateman, you made reference to representation. Do you review or keep a record of the official entertainment expenses of the Vice President?

Mr. **Rasmussen**. Yes, sir. We do.

Mr. **Roybal**. All right. Now what was the actual amount expended for 1989 and how much is anticipated will be spent for 1990?

Mr. **Rasmussen**. Mr. Chairman, for fiscal year 1989, $66,000 was expended out of the $75,000 authorized. And for fiscal year 1990 to date, approximately $24,000 has been expended.

Mr. **Roybal**. All right.

DONATIONS TO THE RESIDENCE

You also made reference to the fact that of the $200,000 that was appropriated by this committee, that you also received private funds in the amount of approximately $150,000.

Now by what authority can you receive those funds?

Mr. **Bateman**. We receive those funds. The Secretary of the Navy actually formally accepts those funds and can only do so with the concurrence of the Vice President. The Office of Administration then deposits and manages those funds on behalf of the Vice President's residence.

Mr. **Roybal**. They are not considered a gift then to anyone?

Mr. **Bateman**. It is a gift to the government.

Mr. **Roybal**. A gift to the government. And the law does permit that to take place?

Mr. **Bateman**. Yes, sir.

Mr. **Roybal**. What about if there is one donor, is that tax-exempt to him?

Mr. **Bateman**. Yes, sir.

Mr. **Roybal**. So there is a benefit to the donor in making a donation to the government?

Mr. **Bateman**. That is my understanding, yes, sir.

Mr. **Roybal**. Thank you.

Mr. **Bateman**. If I could correct one thing. We have collected some $240,000 of which $150,000 will be used for this current project that we have begun or will begin very soon.

Mr. **Roybal**. But the project will cost $250,000 approximately?

Mr. **Bateman**. Approximately $350,000.

Mr. **Roybal**. Thank you, Mr. Bateman, for your response to this section.

We will now take up the unanticipated needs.

[The information follows:]

EXECUTIVE OFFICE OF THE PRESIDENT

UNANTICIPATED NEEDS

Statement of Paul W. Bateman
Before the Appropriation Subcommittee on the Treasury, Postal, and General Government
United States House of Representatives

Mr. Chairman and Members of the Committee:

The Unanticipated Needs account enables the President to meet unplanned and, therefore, unbudgeted contingencies in furtherance of the national interest, security, or defense. For fiscal year 1991, funding in the amount of $1,000,000 is requested for the Unanticipated Needs account.

Only the President may authorize expenditures from this account.

In fiscal year 1989, one allocation was made from the Unanticipated

Needs account. On November 17, 1988, Public Law 100-685 authorized the establishment of the National Space Council, effective February 1, 1989. An allocation was made to the National Space Council to fund that agency's first year of operation. The amount allocated to the National Space Council was $181,000.

In fiscal year 1990, no allocations have been made to date.

Mr. **Bateman**. Thank you. This account, Mr. Chairman, enables the President to meet unplanned and therefore unbudgeted contingencies in furtherance of the national interest, security or defense. For fiscal year 1991, funding in the amount of $1 million is requested for the unanticipated needs account.

Only the President may authorize expenditures from this account.

In fiscal year 1989, one allocation was made from the account. On November 17, 1988, Public Law 100-685 authorized the establishment of the National Space Council. An allocation was made to the National Space Council to fund its first year of operation. That amount was $181,000.

In fiscal year 1990, no allocations have been made to date.

I will be pleased to answer your questions.

ALLOCATION PROCESS

Mr. **Roybal**. Mr. Bateman, is this committee informed of allocations from the account that are made?

Mr. **Bateman**. Yes, sir. We work very closely with this committee in informing it of allocations from this account when they do occur.

Mr. **Roybal**. All right. Then you do have someone who is in charge of these funds as they are allocated and someone responsible for that information?

Mr. **Bateman**. The process we employ is that the Director of the Office of Management and Budget must review the request and in turn assure the President that there are no other federal funds available to fund the expense.

Mr. **Roybal**. Can you please describe for the committee the decision-making process to determine what organization or project gets the money?

Mr. **Bateman**. When an organization believes it has a unique need that it cannot fund on its own or seek reimbursement from another federal agency, for example, they would then write to the President and request consideration of this request.

That document would then be forwarded to the Director of OMB who would then do the necessary research with his staff to be able to assure the President that this is in the best interest of the government.

At that time, the President would then be able to make his decision in the manner he chooses.

Mr. **Roybal**. Mr. Skeen.

Mr. **Skeen**. Thank you, Mr. Chairman.

NO-YEAR FUNDING

As I understand the way these funds are handled, they are reappropriated. If at the end of the year you haven't expended the entire amount of the $1 million, it goes back to Treasury and then it is reappropriated.

Is there any thought given to the idea of just putting it on a no-year basis so that you could just replenish the fund at the end of the year to the million dollars? In other words, just go ahead and put the funding in for what has been expended.

The reason I am asking this is because it does have an impact on the 302(b) allocation.

Mr. **Bateman**. You are correct, Mr. Skeen, that if the funds are not expended they do revert back to the Treasury at year-end.

We have, amongst ourselves, informally kicked the idea around that you have mentioned although we have not given it any extensive thought. It would make sense to me, thinking out loud, that it would make better sense to do what you propose in the sense of just replenish those funds that we do expend. It would reduce the overall amount of what we need to request and what you need to appropriate each year.

Mr. **Skeen**. It just makes more sense to me. And the other thing that bothered me about this thing is—of course, you've got enough control on the way it is spent. There is a great deal of oversight and it is well looked at. But just in fiscal management alone it would make a lot more sense.

Mr. **Bateman**. Sure.

Mr. **Skeen**. Thank you very much. Thank you, Mr. Chairman.

FY 1990 EXPENDITURES

Mr. **Roybal**. Please tell the committee, Mr. Bateman, how much has been expended to date.

Mr. **Bateman**. No monies have been expended to date, Mr. Roybal.

Mr. **Roybal**. So you still have $1,000,000 available.

Since there are no more questions that we can ask and you have satisfied the committee in every aspect, may I thank you, Mr. Bateman, and your colleagues.

Mr. **Bateman**. Thank you, sir.

Mr. **Roybal**. The committee is adjourned.

[The justification materials follow:]

EXECUTIVE OFFICE OF THE PRESIDENT

COMPENSATION OF THE PRESIDENT

FISCAL YEAR 1991 BUDGET

Executive Office of the President
Compensation of the President
Congressional Submission
FY 1991

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APPROPRIATION LANGUAGE

Executive Office of the President
Compensation of the President

Salaries and Expenses

For compensation of the President, including an expense allowance at the rate of $50,000 per annum as authorized by 3 U.S.C. 102: $250,000: Provided, That none of the funds made available for official expenses shall be expended for any other purpose and any unused amount shall revert to the Treasury pursuant to section 1552 of title 31 of the United States Code: Provided further, That none of the funds made available for official expenses shall be considered as taxable to the President. (Executive Office Appropriations Act, 1990.)

Compensation of the President
Salaries and Expenses

Program and Financing (in thousands of dollars)

11-0001-0-1-802		FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
	Program by activities:			
00.01	Compensation of the President	200	200	200
00.02	Expenses	26	50	50
10.00	Total obligations	226	250	250
	Financing:			
25.00	Unobligated balance lapsing	24	0	0
40.00	Budget authority	250	250	250
	Relation of obligations to outlays:			
71.00	Obligations incurred, net	226	250	250
72.40	Obligated balance, start of year	0	15	15
74.40	Obligated balance, end of year	-15	-15	-15
77.00	Adjustments in expired accounts	5	0	0
90.00	Outlays	216	250	250

Compensation of the President

Program and Performance

These funds provide for the compensation of the President and for official expenses.

Compensation of the President
Salaries and Expenses

Object Classification (in thousands of dollars)

11-0001-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
11.1 Personnel Compensation: Full-time permanent	200	200	200
25.0 Other services	26	50	50
99.9 Total obligations	226	250	250

EXECUTIVE OFFICE OF THE PRESIDENT

SEAL OF THE PRESIDENT OF THE UNITED STATES

WHITE HOUSE OFFICE

FISCAL YEAR 1991 BUDGET

Executive Office of the President
White House Office
Congressional Submission
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I. GENERAL STATEMENT

Executive Office of the President
White House Office

The purpose of the White House Office is to provide assistance and administrative support directly to the President of the United States. This requires a range of professional and support staff. The White House Office is currently organized along the following organizational lines.

Chief of Staff - Provides advice to the President and directs the activities of the White House staff.

Assistant to the President and Deputy to the Chief of Staff - Provides advice to the President and Chief of Staff, assists in directing the White House staff activities, and oversees the Office of Intergovernmental Affairs and Political Affairs.

Assistant to the President for National Security - Provides advice to the President on national security issues.

Assistant to the President for Communications - Provides advice to the President on Communication with the press, Federal agencies, and other groups and constituencies.

> Office of Public Liaison - Provides liaison between the President and various public groups and constituencies.
>
> Office of Public Affairs - Provides liaison with Federal government agencies and the general public.
>
> Office of Media Relations - Oversees the interaction with all media outside of the White House press corp.

Assistant to the President for Economic and Domestic Policy - Provides advice on domestic and economic policy.

Assistant to the President and Secretary to the Cabinet - Coordinates the activities of the Cabinet and oversees the Domestic Policy Council and Economic Policy Council.

Assistant to the President for Legislative Affairs - Provides legislative advice to the President on legislative issues.

Assistant to the President and Press Secretary - Oversees the interaction between the White House and national and international news media.

Assistant to the President and Deputy to the Chief of Staff - Manages the President's schedule of activities and appointments, correspondence, and staff secretary.

Correspondence Office: Prepares general and special responses to correspondence sent to the President.

Executive Clerk: Reviews, processes, and records all documents signed by the President, insuring their conformity to legal requirements, correct form, and proper disposition.

Records Management: Maintains centralized files of all White House and Presidential documents, records and materials, and prepares them for deposit with the National Archives and presidential libraries.

Assistant to the President and Director of President Personnel - Oversees Presidential appointments to policy and supporting positions throughout the Executive Branch.

Assistant to the President for Public Events and Initiatives - Plans the participation and movement of the President to scheduled activities and events and oversees the Office of National Service.

Counsel to the President - Provides legal advice to the President and White House staff.

Assistant to the President for Management and Administration - Manages all White House operating units.

Administrative Offices: Provides general administrative, personnel, telephone, and travel support for the White House.

Visitors Office: Coordinates public tours of the White House and certain special events.

Photographic Office: Provides official photographs of President events and activities.

Military Office: Directs the Military Office which provides support to the President in his role as Commander-In-Chief.

Deputy Assistant to the President and Chief of Staff to the First Lady - Provides staff support to the First Lady.

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EXECUTIVE OFFICE OF THE PRESIDENT
WHITE HOUSE OFFICE

Budget Overview
(Dollars in 000s)

	Actual FY 1989	Estimated FY 1990	Estimated FY 1991	Net Change FY '90-'91
Budget Authority:				
Appropriation	$27,911	$30,639	$32,799	$2,160
Gramm-Rudman Sequester		($407)		
Post GRH Authority		$30,232		
Employment:				
FTP	313	338	338	0
Total FTE	362	381	381	0

II. SUMMARY OVERVIEW
Part One

Executive Office of the President
White House Office

FY 1990 APPROPRIATION	$30,639,000
- Less Gramm-Rudman (P.L. 99-177) Sequester	($407,000)
FY 1990 FUNDING LEVEL	$30,232,000
CURRENT SERVICE LEVEL INCREASES	
o Carry Forward of Savings Attributable to a Change in the Office of Administration's Reimbursable Support Policy Implemented in FY 1990	($250,000)
o Amounts to Partially Offset Effects of FY 1990, FY 1991 & Executive Level Pay Raises	$1,234,000
o Rate Increase Charged by GSA for Office Space	$184,000
o Worker's Compensation Increases	$26,000
o Remaining Inflationary Increases	$263,000
o Restoration of Base Level Pursuant to P.L. 99-177	$407,000
FY 1991 CURRENT SERVICES LEVEL	$32,096,000
ENHANCEMENTS	
o Staff Travel Increase	$125,000
o ADP Systems Development/Equipment Upgrade	$578,000
FY 1991 REQUEST LEVEL	$32,799,000

II. SUMMARY OVERVIEW
Part Two

Executive Office of the President
White House Office

For fiscal year (FY) 1991, the White House Office requires $32,799,000 -- $2,567,000 or 8.5 percent over the FY 1990 appropriation of $30,232,000. No additional positions are requested above the ceiling of 338 full-time permanent and 43 other positions.

This request is predicated upon three specific needs. Raising computer equipment to the necessary level to support the President will require an additional $328,000. To provide the necessary flexibility for staff travel in support of the President, an additional $125,000 is necessary.

Beyond these two areas, $473,000 is necessary for uncontrollable inflationary increases. The remaining $1,641,000 increase is necessary solely to maintain current services levels so that the pattern of using the equipment budget to absorb mandatory pay raises will not continue.

Equipment Funding

For several budget cycles prior to FY 1990, the state of White House Office computer equipment deteriorated and minimal funds were requested to address the replacement of obsolete equipment. Moreover, each year other needs arose which placed pressure on the only non-personnel discretionary area in the White House Office budget - the equipment line item.

Upon entering office, the Bush Administration recognized the inadequacies of the equipment and moved quickly in calendar year 1989 to improve support by proposing an FY 1990 budget amendment. With these funds, the White House Office began the first stage in building computer systems to support adequately the President of the United States.

In part, the FY 1990 equipment funding allowed the replacement of antiquated trip equipment, the final replacement of the obsolete word processors, and the standardization of software. These major items were in addition to normal replacement schedules for all types of equipment and furnishings.

The equipment plan for FY 1991 will provide the second phase of obsolete equipment replacement, extend the scope of automation to new areas of White House activity, and provide for the continuation of projects such as optical disk technology in the Records Management area. The plan will also modernize data network communications so that staff can interact more efficiently through the sharing of information

Staff Travel Funding

President Bush is a very active President. In the process of formulating the FY 1991 budget, the adequacy of staff travel funding was analyzed by the new administration. Based upon a review of the frequency of travel by the new President in his first year in office, it is prudent to incorporate a corresponding level of funding flexibility into this request.

Congress has been supportive in the past by allowing the White House Office reprogramming flexibility in FY 1989 and appropriating additional funds in FY 1990 for staff travel in support of the President.

Current Services Funding

In earlier years, the White House Office developed a pattern of using equipment funds to absorb unbudgeted cost increases. Since FY 1987, these increases fell primarily in the personnel area and included partial absorption of pay raises and unbudgeted detailee charges. To address these actions, the budget amendment in FY 1990 provided funds, in part, to bring White House Office personnel costs in line with traditional levels.

In FY 1991, the White House Office will absorb 50 percent of the Executive Level pay raise and 50 percent of the FY 1991 cost of living pay raise - almost 1 million dollars in personnel costs. To absorb more personnel costs would cause the White House Office to revert to reducing the equipment budget or reduce staff funding. To prevent such actions and maintain current services levels, the annualized cost of the FY 1990 pay raise is requested as is the restoration of cost reductions mandated by Gramm-Rudman, which were absorbed in the personnel area.

Finally, the remaining current service level increases included in this request are uncontrollable and are charged by commercial vendors and other government agencies. They include increased space charges by the General Services Administration, general inflationary increases in most object classes, and increased Workman's Compensation costs.

III. APPROPRIATION LANGUAGE

Executive Office of the President
White House Office

Salaries and Expenses

For necessary expenses for the White House as authorized by law, including not to exceed $3,850,000 for services as authorized by 5 U.S.C. 3109 and 3 U.S.C. 105; including subsistence expenses as authorized by 3 U.S.C. 105, which shall be expended and accounted for as provided in that section; hire of passenger motor vehicles, newspapers, periodicals, teletype news services, and travel (not to exceed $100,000 to be expended and accounted for as provided by 3 U.S.C. 103); not to exceed $20,000 for official entertainment expenses, to be available for allocation within the Executive Office of the President; [$30.639,000] $32,799,000. (Executive Office Appropriations Act, 1990.)

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White House Office
Salaries and Expenses

Program and Financing (in thousands of dollars)

11-0110-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Program by activities:			
10.00 Total obligations	27,911	30,232	32,799
Financing:			
25.00 Unobligated balance lapsing	39	...	...
39.00 Budget authority	27,950	30,232	32,799
Budget Authority:			
40.00 Appropriation	27,950	30,639	32,799
40.00 Reduction pursuant to P.L. 99-177	...	(407)	...
43.00 Appropriation (adjusted)	27,950	30,232	32,799
Relation of obligations to outlays:			
71.00 Obligations incurred, net	27,911	30,232	32,799
72.40 Obligated balance, start of year	3,343	3,759	4,008
74.40 Obligated balance, end of year	(3,759)	(4,008)	(4,288)
77.00 Adjustments in expired accounts	(219)	...	...
90.00 Outlays	27,276	29,983	32,519

White House Office

Program and Performance

These funds provide the President with staff assistance and provide administrative services for the direct support of the President.

White House Office
Salaries and Expenses

Object Classification (in thousands of dollars)

11-0038-0-1-802		FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	13,730	14,215	15,438
11.3	Other than full-time permanent	798	1,039	1,089
11.5	Other personnel compensation	36	62	66
11.8	Special personal services payments	417	982	1,033
11.9	Total personnel compensation	14,981	16,298	17,626
12.1	Personnel benefits: Civilian	2,927	3,031	3,342
21.0	Travel of the President	89	100	100
21.0	Travel and transportation of persons	588	675	800
22.0	Transportation of things	20	20	22
23.1	Rental Payments to GSA	3,726	3,940	4,124
23.3	Communications, utilities, and miscellaneous charges	2,416	2,651	2,683
24.0	Printing and reproduction	902	883	968
25.0	Other services	1,067	1,120	1,260
25.0	Official Entertainment	8	20	20
26.0	Supplies and materials	559	447	479
31.0	Equipment	628	1,047	1,375
99.9	Total obligations	27,911	30,232	32,799

White House Office
Salaries and Expenses

Personnel Summary

11-0110-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Total number of full-time permanent positions	313	338	338
Total compensable workyears:			
Full-time equivalent employment	362	381	381
Full-time equivalent of overtime and holiday hours	1	2	2
Average GS grade	10	10	10
Average GS salary	$33,048	$34,238	$35,436
Average salary of ungraded positions	$42,305	$43,828	$45,362

White House Office
Salaries and Expenses

Detail of Permanent Positions

11-0110-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
GS-16	1	1	1
GS-15	4	4	4
GS-14	3	3	3
GS-13	7	7	7
GS-12	10	10	10
GS-11	20	20	20
GS-10	12	12	12
GS-9	11	12	12
GS-8	6	6	6
GS-7	6	6	6
GS-6	6	6	6
GS-5	3	4	4
GS-4	3	3	3
GS-3	0	0	0
Subtotal	92	94	94
Ungraded	221	244	244
Total permanent positions	313	338	338
Unfilled positions, end of year	10	---	---
Total permanent employment, end of year	323	338	338

IV. SUMMARY TABLE

Executive Office of the President
White House Office

Summary of Budget Authority by Object Class
FY 1989-1991

BUDGET OVERVIEW
(in thousands of dollars)

	Actual FY 1989	Estimated FY 1990	Estimated FY 1991	Net Change FY'90-'91
Personnel compensation:				
Full-time permanent	13,730	14,215	15,438	1,223
Other than full-time permanent	798	1,039	1,089	50
Other personnel compensation	36	62	66	4
Special personal services payments	417	982	1,033	51
Total personnel compensation	14,981	16,298	17,626	1,328
Civilian personnel benefits	2,927	3,031	3,342	311
Total compensation & benefits	17,908	19,329	20,968	1,639
Travel of the President	89	100	100	0
Travel & transportation of persons	588	675	800	125
Transportation of things	20	20	22	2
Rental payments to GSA	3,726	3,940	4,124	184
Comm., util., & misc. chgs.	2,416	2,651	2,683	32
Printing & reproduction	902	883	968	85
Other services	1,067	1,120	1,260	140
Official entertainment	8	20	20	0
Supplies & materials	559	447	479	32
Equipment	628	1,047	1,375	328
Total direct program	27,911	30,232	32,799	2,567
Lapse	39	---	---	---
Budget Authority	27,950	30,232	32,799	2,567

V. EXPLANATION AND JUSTIFICATION OF CHANGES BY OBJECT CLASS FOR FY 1991

Executive Office of the President
White House Office

(in thousands of dollars)

Increases for Current Services & Request Levels $2,567

FY'90	FY'91		Net Change
$19,329	$20,968	Personnel compensation and benefits	$ 1,639

In FY 1991, $20,968 is necessary to fully fund 338 full-time permanent (FTP) and 43 other positions. The increase of $1,639 is necessary to maintain our current services level. This increase is primarily the result of three uncontrollable pay increases.

Partial funding in the amount of $271 is requested for the FY 1991 cost of living pay raise and $379 is requested for the FY 1991 Executive Level pay raise. The White House Office will absorb the remaining 50 percent of each raise.

Absorbing the additional uncontrollable salary increases, however, would be detrimental to the equipment replacement program and may require reductions in staffing levels.

The annualized cost of the FY 1990 3.6 percent pay raise of $584 is requested. In addition, $379 is requested to recover the mandatory GRH reductions made in FY 1990 in the personnel line item. Finally, $26 is necessary to cover increased costs associated with Workman's Compensation

FY'90	FY'91		Net Change
$100	$100	Travel of the President	$ 0

This category provides for the official travelling expenses of the President as authorized by 3 U.S.C. 103. No additional funds are requested.

FY'90	FY'91		Net Change
$675	$800	**Staff travel** Staff travel costs of per diem, hotel accommodations, transportation such as airfare, auto rental, and local transportation around the metropolitan Washington area are met through this line item. The Bush Administration continues a policy of reaching out to all constituent groups across the United States. Given the issues facing the American public and cost increases in the transportation industry, travel in FY 1991 will require an additional $125. This additional funding is necessary to support the actual rate of travel obligations that have been incurred since President Bush took office.	$ 125
$20	$22	**Transportation of things** Funding in this line item provides for any overnight express packages or freight shipments that may be necessary. An additional $2 is requested to meet price increases and anticipated increases in demand.	$ 2
$3,940	$4,124	**Rental payments to GSA (SLUC)** Funding in this category provides for space rental from the General Services Administration including office and storage space. While no additional space is anticipated, the increase of $184 will cover the increased per square foot charges for existing space mandated by GSA.	$ 184
$2,651	$2,683	**Communications, utilities, and miscellaneous charges** Operational requirements covered by this line item include telephone (commercial and FTS), telegraph, after-hour utilities, postage, and the leasing of miscellaneous office equipment including copiers and word processors. This line item has funded a minicomputer to operate a personnel tracking system and the initial optical disk framework to enhance presidential records management.	$ 32

FY'90	FY'91		Net Change
		For FY 1991, no new acquisitions are planned for this line item. The additional $32 is requested to meet inflationary increases.	
$883	$968	Printing and reproduction	$ 85
		Funding in this category covers White House Office printing performed by the Government Printing Office and the Defense Printing Service, commercial printing, printing in the Federal Register, and the printing of Federal regulations. Both incoming and outgoing correspondence by President Bush will continue at a high rate. In the first year of the Bush Administration, over 6 million pieces of mail were received - many of which required special printed messages. While the $85 is due primarily to cost increases from vendors such as the Government Printing Office, the funding of $986 will cover the extraordinary task of responding to the general public.	
$1,120	$1,260	Other services	$ 140
		A wide-range of commercial and government services are funded in this category including maintenance contracts on all general and ADP equipment, payment to the Office of Administration for systems development and support, any repairs and alterations to existing space configurations, and training or conference fees. Also included are inflationary increases due to higher maintenance and support costs paid to government and private vendors of White House computer systems. Also included is funding for the continuation of an optical disk pilot project to explore the expansion of system capabilities such as printing and query in a secure environment.	

FY'90	FY'91		Net Change
$20	$20	Entertainment	$ 0

The $20 allowance for entertainment is used strictly for official entertainment expenses of senior White House Office staff when the President is not directly involved. No increase is necessary.

FY'90	FY'91		Net Change
$447	$479	Supplies and materials	$ 32

Office supplies required to support the President and staff are funded by this line item. Such items vary from reproduction supplies to computer diskettes. The request of $479 will cover the specialized supplies for new technology such as the optical disk and meet other inflationary increases.

FY'90	FY'91		Net Change
$1,047	$1,375	Equipment	$ 328

The FY 1990 budget enabled the White House Office to make a major step toward replacing obsolete office automation equipment. The equipment plan for FY 1991 will focus on replacing the next group of obsolete equipment; expanding existing projects and developing new initiatives to aid White House Office staff.

Replacement:

Continuing our replacement schedule is the first goal of the equipment plan for FY 1991. Another group of computer equipment will be both obsolete and will no longer be efficient to use since compatibility problems exist with new state-of-the-art technology. This set of equipment will be replaced with computers that will provide a standardized and efficient office environment.

Existing Projects:

Building upon existing projects such as the optical disk framework will require additional hardware and software. For example, additional optical disk processing stations are needed which must be fully configured. New software will be required as well as operating systems.

FY'90	FY'91		Net Change
		For the framework, special shielding will be required to maintain the security of information being processed and transmitted.	
		New Projects:	
		The first of two new initiatives for FY 1991 is modernizing the communication capabilities of our data network. Installation of local area networks will allow the transfer of information between offices electronically.	
		The second initiative will expand the scope of automation to new areas of staff activity. In the past, funding levels dictated that we place emphasis only on the most urgent replacement needs. Since urgent replacement needs have been reduced, funds are requested to expand office automation tools to those who have been unsupported.	
		The total cost of these projects requires an additional $578. An amount of $250 of the additional equipment needs will be offset by carrying forward a reduction in support charges by the Office of Administration, implemented in FY 1990, resulting in a net increase in the equipment line item of $328.	
$30,232	**$32,799**	**Total all object classes**	**$2,567**

VII. DETAILED JUSTIFICATION OF NEW INITIATIVES

Executive Office of the President
White House Office

Equipment

The White House Office is a labor intensive organization - 65 percent of the FY 1991 budget will fund personnel costs. Of the balance, 31 percent will meet contractual obligations leaving the equipment line item (4 percent of budget) to absorb unplanned contingencies. In past fiscal years, the equipment budget has suffered in order to fund unplanned detailee costs, absorb yearly pay raises, and meet other unplanned needs.

Soon after taking office, the Bush Administration realized a serious problem existed in the state of equipment in the White House Office. Critical computer equipment was obsolete and incompatible, not only within the White House, but also with the equipment of other support agencies. Increasingly unreliable, the equipment was unsupported by the vendor and given its age, down time and repair costs were jeopardizing staff support to the President.

As a result of Congressional funding provided in FY 1990, the White House Office is now able to implement a sound replacement schedule. The obsolete equipment used in support of the President as he travels, as well as equipment used in Washington offices will be replaced and a move toward software standardization will begin. In addition, minor enhancements to the optical disk framework will be made and other smaller projects started.

For FY 1991, additional monies are requested to continue strengthening equipment resources. The net increase of $328 is necessary to begin the second stage in our equipment plan.

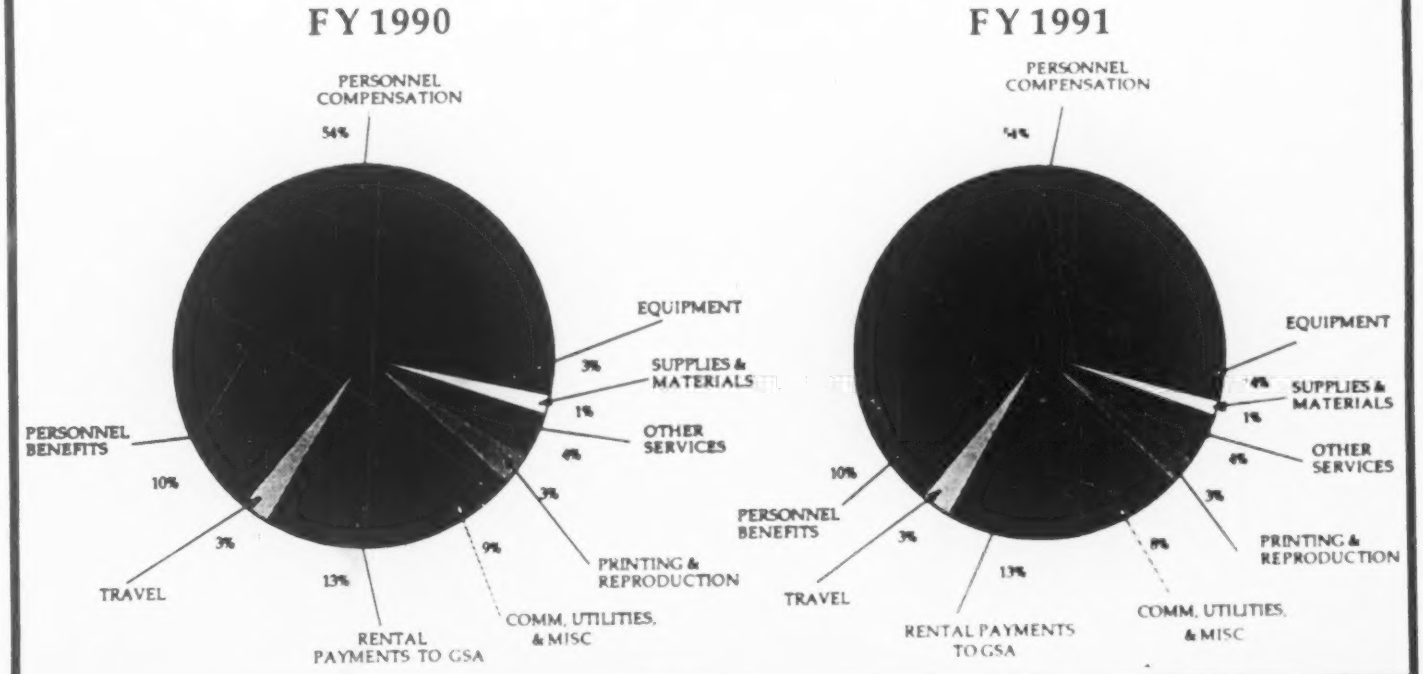
First, the next group of computer equipment becoming obsolete will be replaced. While important, a larger part of our plan focuses on future needs and how automation can help staff be more efficient. The optical disk framework is a good example of a project that when expanded will not only enhance records management, but will allow staff to quickly retrieve and electronically use information. To do so, however, requires additional scanning stations and security measures to fully gain the system's potential.

Finally, new equipment will be purchased to expand ADP capabilities to personnel that currently do not have automated equipment. Other initiatives will be started such as networking our data communication capabilities in conjunction with our installation of new computer equipment.

EXECUTIVE OFFICE OF THE PRESIDENT
WHITE HOUSE OFFICE

FUNDING REQUEST BY CLASSiFICATION

FISCAL YEARS 1990 - 1991
(IN THOUSANDS OF DOLLARS)



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF ADMINISTRATION

FISCAL YEAR 1991 BUDGET

Executive Office of the President
Office of Administration
Congressional Submission
FY 1991

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I. GENERAL STATEMENT

Executive Office of the President
Office of Administration

The Office of Administration (OA) was created by Reorganization Plan No. 1 of 1977 and formally established by Executive Order 12028. The purpose of the Office of Administration is to provide common administrative support and services to all agencies within the Executive Office of the President (EOP). These EOP agencies and accounts include:

Council of Economic Advisers;
Council on Environmental Quality;
National Critical Materials Council;
National Security Council (Including the President's Foreign Intelligence Advisory Board and the President's Intelligence Oversight Board);
National Space Council;
Office of Administration;
Office of Federal Procurement Policy;
Office of Management and Budget;
Office of National Drug Control Policy;
Office of Policy Development;
Office of Science and Technology Policy;
Office of the United States Trade Representative;
Official Residence of the Vice President;
Special Assistance to the President (Office of the Vice President);
White House Office;
Compensation of the President Account;
Unanticipated Needs Account.

The Office of Administration is composed of seven functional divisions which provide the following services to all EOP agencies:

Personnel Management Division - recruitment, classification, training, and administration of equal employment opportunity programs;

Financial Management Division - official accounting, budget, payroll, travel, imprest fund, and internal control assessment;

Administrative Operations Division - mail and messenger services, printing, graphics, document preparation, procurement, and supply services;

Library and Information Services Division - support for information services, including records management, along with maintenance of all periodicals, books, and microform;

Information Resources Management Division - computer operations and related support services through the Computer Operations and Telecommunications unit and all systems development through the Systems Development unit;

Facilities Management Division - all matters relating to space allocation and utilization in the White House complex;

Counsel's Office - furnishes legal advice to the Director of the Office of Administration and to other OA officials.

The Office of Administration also provided administrative services and other support to the following temporary commissions and agencies during FY 1989:

Regulatory Information Services Center;
Commission on the Bicentennial of the Constitution;
United States Institute of Peace;
Task Force on Border Control.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION

Budget Overview
(Dollars in 000s)

	Actual FY 1989	Authorized FY 1990	Estimated FY 1991	Net Change FY '90-'91
BUDGET AUTHORITY:				
Appropriation	$18,350	$18,825	$24,910	$6,085
Gramm-Rudman Sequester		($245)		
Post GRH Authority		$18,580		
Reimbursements	$4,985	$4,753	$3,849	($904)
EMPLOYMENT:				
Direct Employment:				
FTP	140	162	179	17
Other	30	31	23	-8
Total Direct FTEs	170	193	202	9
Reimbursable Employment:				
FTP	30	20	20	0
Other	0	0	0	0
Total Reimb. FTEs	30	20	20	0
TOTAL FTEs	200	213	222	9

II. SUMMARY OVERVIEW
PART ONE

Executive Office of the President
Office of Administration

FY 1990 APPROPRIATION	$18,825,000
- Less Funding for Indian Education	($500,000)
- Non-Recurring Costs	($37,000)
- Less Gramm-Rudman (P.L. 99-177) Sequester	($245,000)
FY 1990 FUNDING LEVEL	$18,043,000
CURRENT SERVICE LEVEL INCREASES	
o Rental Payments to GSA due to new rates	$58,000
o Amounts to Partially Offset Effects of FY 1990, FY 1991 & Executive Level Pay Raises	$195,000
o Other Personnel Related Increases	$93,000
o Increases Due to Inflation	$529,000
o Restoration of Base Level Pursuant to P.L. 99-177	$245,000
FY 1991 CURRENT SERVICES LEVEL	$19,163,000
ADP ENHANCEMENTS	
o Mainframe Computer Upgrade & Associated Costs	$4,475,000
o Conversion to New Payroll and Personnel System	$175,000
o Financial System Enhancements	$89,000
o Computer Storage & Security Devices	$260,000
o Optical Disk Technology	$121,000
PERSONNEL ENHANCEMENTS	
o Three (3) Positions Related to Support New Permanent EOP Agencies	$79,000
o Remote Delivery Site Driver/Laborer	$19,000
o Architectural Engineer	$63,000
o Contractor Conversion (12 FTPs)	$0
EXPANDED COMMON OFFICE AUTOMATION SUPPORT TO EOP AGENCIES	
o Restoration of Reductions Absorbed in FY 1990 to Fund Conversion of Reimbursable Positions to Directly Funded Positions (No FTPs Required)	$450,000
MISCELLANEOUS ENHANCEMENTS	$16,000
FY 1991 REQUEST LEVEL	$24,910,000

II. SUMMARY OVERVIEW
PART TWO

Executive Office of the President
Office of Administration

For FY 1991, the Office of Administration is requesting a budget of $24,910,000, which represents a $6,085,000 increase over OA's FY 1990 appropriated amount of $18,825,000. This is an increase of $6,330,000 over the FY 1990 Gramm-Rudman post-sequester authority. The FY 1991 request will directly fund staffing at levels of 179 Full-time Permanent (FTPs) positions and 222 Full-time equivalents (FTEs). This represents an increase of seventeen (17) FTPs and nine (9) FTEs above the FY 1990 authorized levels.

ACCOMPLISHMENTS

Fiscal year 1989 was a successful year for the Office of Administration. With this subcommittee's help, we had several significant accomplishments. First, we realized our goal of achieving an orderly and effective transition. OA maintained a high level of quality administrative support and coordination throughout the change in administrations. A full account of the expenditures and activities of the transition was provided in an earlier report to this subcommittee. In addition, OA successfully supported two newly created EOP agencies, the Office of National Drug Control Policy and the National Space Council, as they established operations. OA also administered the initial stages of a program to provide a total of $1,500,000 in grants to the three Puerto Rican political parties. These grants are to be used to assist each party with expenses related to preparing for Puerto Rico's referendum on statehood. The President's Drug Free Workplace plan was implemented for all new hires to the Executive Office in FY 1989, and the EOP's Remote Delivery Site became fully operational, screening mail and materials delivered to the White House Complex. The resources requested in the FY 1991 budget are intended to continue our efforts to provide quality administrative services to the Executive Office of the President.

FY 1991 REQUEST

The FY 1991 budget request represents the first budget formulated entirely under the Bush administration. Since taking office, officials in the Office of Administration have placed a high priority on reviewing resource utilization within OA, as well as evaluating the level of services provided. This request is the first opportunity to reflect the plans and changes resulting from this thorough reassessment of OA's mission, staffing, and organizational structure. The requested increase over FY 1990 authority represents OA's response to a larger EOP community, as well as planned enhancements to allow OA to provide a broader range of administrative support in response to the changing needs of the Executive Office of the President.

NEW AGENCIES

During last fiscal year, two new agencies were created within the EOP, the Office of National Drug Control Policy and the National Space Council. In order to provide a full range of common administrative support associated with this increased workload, positions are requested in such areas as personnel, finance, and procurement.

AUTOMATED DATA PROCESSING SUPPORT

The steady growth in demand for computer resources throughout the EOP significantly exceeds that which is currently available. OA is intent upon achieving enough flexibility in terms of computing capacity to offer a full range of ADP support to all EOP agencies. The result is a requested upgrade to the EOP Data Center's mainframe computer. Nearly three quarters of OA's FY 1991 increase is related to this upgrade in computing capacity. The total request for equipment and software associated with the upgrade is $4,475,000.

Complementing this upgrade to the computer facility is the continuation of a policy initiative, begun by OA in the FY 1990 budget, to convert contractor support into permanent government positions. This policy is based on the belief that the sensitive and time-critical nature of information in an environment such as the EOP requires knowledgeable ADP office automation support that is permanently based "in-house". Maintaining a reserve of institutional knowledge, rather than relying on contractor support, is vital when it comes to assisting the decision making processes around the President. Over time, the cost of personnel paid at government rates will also be less expensive than the escalating costs of commercial contracts. Twelve positions with no additional funding are requested to continue this initiative.

RESTORATION OF PROGRAM REDUCTIONS REQUIRED TO FUND EXPANSION OF COMMON SUPPORT

In an area directly related to office automation, OA reprogrammed $450,000 in FY 1990 to convert ten positions, which had formerly been funded through reimbursements, into directly funded positions. Corresponding savings were realized in the budgets of the White House Office and the Office of Management and Budget. This is the clearest example of OA's policy of providing an expanded level of common support to the EOP agencies. Previously, each EOP agency reimbursed OA for office automation training and support. OA now has established an entire curriculum of ADP training courses that are open to all EOP staff. The salaries for the staff providing the training and hardware support will now be directly funded by OA. This policy change was funded by reducing discretionary expenditures in FY 1990 in Other Services and Equipment. The amount requested in FY 1991 will be used to return these object classes to the levels of funding they maintained prior to the change in policy.

Current service increases of 4.6 percent also are requested to allow OA to maintain its present level of operation. These increases are largely personnel related, such as amounts to offset the cost of living increases and the Executive pay raise.

Finally, the Office of Administration expects to be reimbursed by other agencies in the EOP for specialized systems development and other reimbursable work, performed for temporary agencies or commissions, in the amount of $3,849,000.

III. APPROPRIATION LANGUAGE

Executive Office of the President
Office of Administration

Salaries and Expenses

For necessary expenses of the Office of Administration; [$18,825,000] $24,910,000 including services as authorized by 5 U.S.C. 3109 and 3 U.S.C. 107, and hire of passenger motor vehicles. (Executive Office Appropriations Act, 1990.)

Office of Administration
Salaries and Expenses

Program and Financing (in thousands of dollars)

11-0038-0-1-802		FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
	Program by activities:			
	Direct program:			
00.01	Director's office	507	459	287
00.02	Counsel's Office	----	----	183
00.03	Personnel management	906	1,069	1,144
00.04	Financial management	1,083	1,190	1,649
00.05	Administrative operations	5,772	6,397	3,711
00.06	Facilities management	----	----	3,013
00.07	Library and information services	1,467	1,459	1,597
00.08	Automated systems (operations)	7,043	7,513	13,326
00.09	Puerto Rican grants	----	1,500	----
00.10	White House Conference on Indian Education	----	493	----
00.91	Total direct program	16,778	20,080	24,910
01.01	Reimbursable program:	4,985	4,753	3,849
10.00	Total obligations	21,763	24,833	28,759
	Financing:			
11.00	Offsetting collections from: Federal funds	(4,985)	(4,753)	(3,849)
21.40	Unobligated balance available, start of year	---	(1,500)	---
24.40	Unobligated balance available, end of year	1,500	---	---
25.00	Unobligated balance lapsing	72	---	---
39.00	Budget authority (appropriation)	18,350	18,580	24,910
	Budget Authority:			
40.00	Appropriation	18,350	18,825	24,910
40.00	Reduction pursuant to P.L. 99-177	---	(245)	---
43.00	Appropriation (adjusted)	18,350	18,580	24,910
	Relation of obligations to outlays:			
71.00	Obligations incurred, net	16,778	20,080	24,910
72.40	Obligated balance, start of year	4,043	3,998	4,980
74.40	Obligated balance, end of year	(3,998)	(4,980)	(6,166)
77.00	Adjustments in expired accounts	(52)	---	---
90.00	Outlays	16,771	19,098	23,724

Office of Administration

Program and Performance

This office provides common administrative support and services to units within the Executive Office of the President. Included are personnel and financial management; administrative services such as mail distribution, messenger services, printing and duplication, and procurement; and automated data processing.

Program development in ADP systems and other support services will be funded by reimbursements from users.

Office of Administration
Salaries and Expenses

Object Classification (in thousands of dollars)

	11-0038-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	4,722	5,172	5,990
11.3	Other than full-time permanent	685	486	504
11.5	Other personnel compensation	329	147	160
11.8	Special personal services payments	7	...	...
11.9	Total personnel compensation	5,743	5,805	6,654
12.1	Personnel benefits: Civilian	960	1,177	1,447
21.0	Travel and transportation of persons	18	45	45
22.0	Transportation of things	32	35	37
23.1	Rental Payments to GSA	1,797	2,256	2,320
23.3	Communications, utilities, and miscellaneous charges	1,100	1,406	1,506
24.0	Printing and reproduction	382	563	585
25.0	Other services	5,227	5,999	5,868
26.0	Supplies and materials	632	572	617
31.0	Equipment	887	722	5,831
41.0	Grants	0	1,500	0
99.0	Subtotal, direct obligations	16,778	20,080	24,910
99.0	Reimbursable obligations	4,985	4,753	3,849
99.9	Total obligations	21,763	24,833	28,759

Office of Administration
Salaries and Expenses

Personnel Summary

11-0038-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Direct:			
Total number of full-time permanent positions	160	162	179
Total compensable workyears:			
Full-time equivalent employment	170	193	202
Full-time equivalent of overtime and holiday hours	9	6	6
Average GS grade	8.44	8.27	8.63
Average GS salary	$28,528	$27,960	$30,241
Average salary of ungraded positions	$61,920	$69,833	$72,277
Reimbursable:			
Total number of full-time permanent positions	30	20	20
Total Compensable Workyears:			
Full-time equivalent employment	30	20	20
Average GS grade	12.50	12.50	12.50
Average GS salary	$43,409	$43,756	$45,287

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Office of Administration
Salaries and Expenses
Detail of Permanent Positions

11-0038-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
GS/GM-15	9	8	8
GS/GM-14	18	20	27
GS/GM-13	18	16	22
GS-12	15	17	17
GS-11	15	16	16
GS-10	2	2	2
GS-9	22	23	24
GS-8	7	6	6
GS-7	22	22	23
GS-6	10	14	15
GS-5	18	21	21
GS-4	5	5	6
GS-3	1	2	2
GS-2	0	0	0
Subtotal	162	172	189
Ungraded	8	10	10
Total permanent positions	170	182	199
Unfilled positions, end of year	2	...	...
Total permanent employment, end of year	172	182	199

IV. SUMMARY TABLES

Executive Office of the President
Office of Administration

Summary of Budget Authority by Object Class
FY 1989-1991
Direct Funds

BUDGET OVERVIEW
(in thousands of dollars)

	Actual FY 1989	Estimated FY 1990	Estimated FY 1991
Personnel compensation:			
Full-time permanent	4,722	5,172	5,990
Other than full-time permanent	685	486	504
Other personnel compensation	329	147	160
Special personal services payments	7	---	---
Total personnel compensation	5,743	5,805	6,654
Personnel benefits: Civilian	960	1,177	1,447
Total compensation and benefits	6,703	6,982	8,101
Travel & tranportation of persons	18	45	45
Transportation of things	32	35	37
Rental payments to GSA	1,797	2,256	2,320
Comm., util., & misc. chgs.	1,100	1,406	1,506
Printing & reproduction	382	563	585
Other services	5,227	5,999	5,868
Supplies & materials	632	572	617
Equipment	887	722	5,831
Grants	0	1,500	0
Total direct program	16,778	20,080	24,910
No-Year Grant Authority	1,500	(1,500)	---
Lapse	72	---	---
Budget Authority	18,350	18,580	24,910

Office of Administration

Summary of Budget Authority by Program
FY 1989-FY 1991
Direct Funds

BUDGET OVERVIEW
(Dollars in 000's)

	Actual FY 1989	Estimated FY 1990	Budget Request FY 1991	Net Change FY'90-'91
Program by Activities: Direct Program:				
1) Director's Office	$507	$459	$287	($172)
2) Counsel's Office	----	----	$183 /1	$183
3) Personnel Management	$906	$1,069	$1,144	$75
4) Financial Management	$1,083	$1,190	$1,649	$459
5) Administrative Oper.	$5,772	$6,397	$3,711	($2,686)
6) Facilities Management	----	----	$3,013 /1	$3,013
7) Library & Infor. Svcs.	$1,467	$1,459	$1,597	$138
8) Info. Resources Mgmt.	$7,043	$7,513	$13,326	$5,813
9) Puerto Rican grants	----	$1,500	----	($1,500)
10) White House Conference on Indian Education	----	$493 /2	----	($493)
Total Direct Program	$16,778	$20,080	$24,910	$4,830
No-Year Grant Authority	$1,500	($1,500)		
Lapse	$72			
Budget Authority	$18,350	$18,580	$24,910	$6,330

/1 Reflects reorganized office structure
/2 Reflects post-sequester level

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION

EXPLANATION AND JUSTIFICATION OF CHANGES BY OBJECT CLASS FOR FY 1991
(Dollars in 000's)

FY'90	FY'91	Increases for Current Services (CSL) & Request Levels	$ 6,330
			Net Change
$6,982	$8,101	Personnel compensation and benefits	$ 1,119

CSL Increase -- +$288
Enhancements -- +$831

To fund a staff level of 179 full-time permanent (FTP) and 23 other positions, $7,431 is requested.

The $288 CSL increase is attributable to five factors: $135 to fund approximately 50% of the executive pay raise and the anticipated 1991 cost of living increase, $60 to fund one quarter of the annualized effect of the January, 1990 3.6% pay raise, $52 for increasing benefits costs due to a larger percentage of employees under FERS, $34 for worker's compensation liabilities to the Department of Labor, and $7 for increased premium pay.

The additional $831 and seventeen (17) FTPs requested as enhancements are comprised of three major areas: positions to provide direct support to the new EOP agencies, conversion of contractors to full time government personnel, and changing positions formerly funded through reimbursements into directly funded staff.

The positions requested to meet the increased workload associated with the addition of the Office of National Drug Control Policy and the National Space Council are in the areas of finance (Fiscal Assistant at $25), personnel (Personnel Specialist at $31), and procurement (Procurement Analyst at $23). In addition, one position is requested in support of the EOP Remote Delivery Site (Driver/Laborer at $19). An Architectural Engineer is also requested to coordinate a program combining structural and aesthetic renovations planned for the Old Executive Office Building ($63).

FY'90 FY'91 Net Change

Twelve (12) FTPs are requested to continue to convert contractual positions currently supporting the EOP Data Center into full time permanent government personnel. No net increase in funding is necessary, as funds ($670) will be transferred from the services area to personnel compensation.

Lastly, this object class includes monies for ten (10) positions funded by reimbursements until FY 1990. These positions are in the area of ADP training and support and represent OA's decision to directly fund a more complete level of common services to the Executive Office of the President.

$45 $45 Travel and transportation of persons $0

No increase is requested for travel since a one-time savings will offset an anticipated inflationary increase. Funds in this object class serve to meet the agency's travel needs to various training programs as well as local transportation within the metropolitan area. In addition, OA personnel, when requested, accompany White House Office employees on major trips to provide technical expertise for computer support.

$35 $37 Transportation of things $ 2

There is an increase of $2 requested in this category to compensate for inflationary increases. The $37 requested will cover the cost and use of commercial courier service and transportation companies.

$2,256 $2,320 Rental Payments to GSA (RENT) $ 64

This object class serves to pay GSA for the use of the various types of space occupied by the Office of Administration within the New and Old Executive Office Buildings.

An increase of $58 is due to the rate changes quoted by GSA in their FY 1991 rent estimates. The remaining $6 is for additional office space to be acquired in the New Executive Office Building.

FY'90 FY'91 Net Change

$1,406 $1,506 Rent, Communications, and Utilities $ 100

Non-recurring Costs--	-$23
CSL Increase --	+$123

This line item funds the lease of reproduction and ADP equipment, pays for the use of commercial telephone systems and GSA's FTS service, after hours utilities fees, and postage.

After one-time savings in the amount of $23 are experienced in this object class, an increase of $75 is needed to restore base level funding to pre-Gramm-Rudman reduction levels. In addition, a $48 increase is needed largely to keep pace with inflationary price increases affecting office equipment leases and utilities for the EOP Data Center.

$563 $585 Printing and reproduction $ 22

Most of the funding allocated for printing and reproduction is used to reimburse the Defense Printing Service for EOP agency use of its on-site facilities in the EOP. There are also reproduction requirements filled by the Government Printing Office and, to a smaller extent, commercial printers.

A funding level of $585 will provide a common level of support for EOP agency printing needs. The increase of $22 will allow OA to maintain current service levels in the face of rising costs by commercial vendors, as well as increased demand for printing services created by the newly formed Office of National Drug Control Policy and the National Space Council.

$5,999 $5,868 Other services -$ 131

Non-recurring Costs--	-$493
CSL Increase --	+$387
Enhancements --	-$25

Funds in the Other Services line item are used primarily to pay commercial facility contracts for the 24 hour a day operation of the Executive Office of the President's Computer Center. This line item also includes funds for all ADP maintenance contracts, facilities and other maintenance contracts, and employee training.

This object class will experience a decrease of $493 due to non-recurring costs for the White House Conference on Indian Education.

Inflationary increases are primarily the result of the increased rate being charged for contractor support of the EOP Data Center ($257). Increases to maintain current services are also requested for payroll processing charges attributable to a general increase in the average number of EOP employee accounts ($40). Funds are also required for routine systems maintenance and development work on the accounting system which serves as the official financial data base for all EOP agencies ($40). Inflationary pressures are driving costs higher for obtaining administrative services such as specialized facilities renovations, as well as on-line services for library information systems ($50).

Enhancements in this object class are requested to fund managerial development ($10), providing direct on-line access to the EOP accounting system for fund managers in the various agencies ($70), specialized systems development work associated with the conversion to a new payroll system ($125), processing charges for new payroll accounts attributable to the new EOP agencies ($19), and development of optical disk technology applications for records storage and retrieval ($121). These enhancements will be offset by a $670 transfer to Compensation and Benefits for the conversion of 12 contractor positions. Last, in FY 1990, $300 in expenditures were deferred and reprogrammed to the personnel compensation object class in order to support a permanent policy change to provide expanded ADP support to EOP agencies on a non-reimbursable basis. It

FY'90	FY'91		Net Change
		is requested that this $300 be restored to the base funding level in FY 1991.	
$572	$617	Supplies and materials Non-recurring Costs-- -$7 CSL Increase -- +$52 This object class provides funding to purchase supplies for ADP equipment, library supplies (mainly subscriptions and government publications), gas and oil for mail delivery, paper stock, and general office supplies. After removing $7 for one-time savings, this object class increases by $52, largely because of a growing demand for printing supplies associated with the new EOP agencies. Library and ADP supplies make up the remaining CSL increases.	$ 45
$722	$5,831	Equipment Non-Recurring Costs -- - $6 CSL Increase -- +$180 Enhancements -- +$4,935 This object class provides for the purchase of equipment to replace or upgrade obsolete ADP equipment and office furniture. After non-recurring costs of $6 are removed, $170 is requested for restoration to the pre-Gramm-Rudman base level, and an amount of $10 is necessary to meet inflationary increases. The enhancements in this object class are dominated by the upgrade of the mainframe computer, costing $4,475. Other ADP Enhancements include $125 for the purchase of computer security Access Control Devices, and $135 for additional computer Disk Access Storage. Also, $50 is requested to purchase hardware in conjunction with conversion to the new payroll system. Last, in FY 1990, $150 in purchases were deferred to reprogram funds into personnel compensation to provide expanded ADP support to EOP agencies on a non-reimbursable basis. It is requested that the base level be restored in FY 1991.	$ 5,109
$18,580	**$24,910**	**TOTAL ALL OBJECT CLASSES**	**$6,330**

VI. DETAILED JUSTIFICATION OF NEW INITIATIVES

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION

ACQUISITION OF REPLACEMENT MAINFRAME COMPUTER AND ASSOCIATED SOFTWARE

As a key part of its charter to provide common administrative support, the Office of Administration is responsible for providing the information processing resources including computers, communications, software, and other peripheral devices for the acquisition, manipulation, storage, and dissemination of information in support of the Executive Office of the President. To accomplish this mission, OA directly funds and manages a large scale mainframe computer facility -- the EOP Data Center -- configured with a series of mainframe and minicomputers, to serve the White House complex.

By fiscal year 1991, EOP demands will exceed mainframe processing capacity available in the EOP Data Center; and known new systems will require an expanded processing facility. Consequently, a new mainframe computer is required to replace three currently installed machines. A new, single mainframe will provide twice the existing processing capacity is requested in this submission.

There are several reasons why an upgrade to the current computer configuration is necessary.

First, the Data Center's currently installed mainframe computers are nearing obsolescence. They were acquired in fiscal year 1982 and 1983 and have essentially reached the end of their expected lives. The current processing capacity is no longer sufficient to satisfy existing EOP agency requirements without degradation in response times. And given the computer's age, the availability of manufacturer support will become less dependable.

Secondly, since existing capacity is nearly exhausted, the Data Center will soon be precluded from accepting new or expanded computer applications to be placed on the system. This clearly represents a problem: OA fully expects an expansion in the demand for new or enhanced computer applications within the EOP, especially given the initiatives of the new Administration and the addition of a large new agency such as the Office of National Drug Control Policy. Moreover, one of the Data Center's largest clients, the Office of Management and Budget (OMB) is now requiring the processing of increasingly complex and time critical analyses during budget review cycles.

Finally, there are evolving plans for new, large scale processing requirements to which OA must stay attuned and shape its future information processing capabilities. In particular, OMB's project to consolidate its budget and financial management information systems will require the sophisticated use of a data base management system to provide on-line support to Federal agencies and budget examiners and modernize its outdated collection of programs. The processing power and systems software that is needed to support this initiative significantly exceeds that which is currently available.

In sum, the saturation of current mainframe processing capacity, the need to provide an information resource center which will be able to handle near term growth and new EOP agencies, and consideration of OMB's large scale budget system upgrade dictate the acquisition of upgraded computer capacity beginning no later than FY 1991. Without such an upgrade, OA will be unable to provide acceptable service levels to the White House, OMB, and other EOP agencies. Further, we would be unable to promote the efficiencies that an expanded use of automation will provide to the operation of the EOP.

The estimated acquisition cost of a new mainframe is $3,500. In addition, related software, communications, and electronic storage components are required to fully configure the system. Three (3) data access storage devices and control unit would be acquired to double existing capacity ($794). The effective use of the new mainframe also requires the acquisition of compatible systems software, communications, and diagnostic software ($97). Finally, integral to the computer upgrade is the acquisition of software which will productively support future applications. In order to effectively and flexibly support on-line system applications, a sophisticated, relational data base is needed ($84). The total funding necessary for this initiative is $4,475.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION

PAYROLL AND PERSONNEL SYSTEM CONVERSION

In August of 1988, the Department of the Treasury announced that it eventually would be discontinuing the payroll and personnel systems support of their client agencies. This service will be transferred to the Department of Agriculture's payroll system located in New Orleans, Louisiana. With that announcement, OA initiated a study to evaluate whether the 1,750 employees in the EOP would be best served by a transfer to the Department of Agriculture system, or alternatively, by pursuing other options. The recently completed study determined that the Defense Logistics Agency (DLA) would be able to provide the payroll and personnel systems support that would best meet the needs of the White House Office and the other EOP agencies.

With the completion of the study, and the selection of DLA as the new payroll and personnel system provider, the actual process of converting to the new system is now underway. The conversion process itself is comprised of several different steps. They include the following:

- o Highly specialized analytical and programming support for transferring the actual program data from the old to the new system;
- o Purchase of new data input equipment and communications hardware, such as personal computers for personnel management staff;
- o Retirement of old personnel records to the Office of Personnel Management;
- o Conversion analysis and creation of interfaces to existing Financial Management Division financial systems;
- o Extensive parallel testing; and
- o EOP staff time and attendance training.

The conversion is consistent with OA's overall emphasis on office automation. The new system will significantly decentralize time and attendance input and make payroll and personnel record processing more efficient. The long-term goal is to implement query capability for EOP fund managers, allowing them to directly access databases for financial analyses. At the time this request is being prepared, the FY 1991 cost estimate is $175,000, in both services and equipment, to fund the various aspects of the conversion to the DLA system. OA is now in the process of formulating more precise estimates of the total conversion cost.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION

NEW POSITIONS

For FY 1991, the Office of Administration is requesting an additional seventeen (17) full-time permanent positions above the FY 1990 authorized staffing ceiling. This requested increase in positions is related to two primary factors. First, the creation of new agencies within the Executive Office of the President has resulted in an increasing workload for certain functions within OA that are affected by EOP-wide personnel levels and budget authority. Second, OA is committed to providing a broader range of higher quality administrative support to the agencies within the EOP.

Since the Office of National Drug Control Policy (ONDCP) and the National Space Council were created in 1989, budget authority for the EOP has grown by more than 20 percent. This does not include the potential addition of ONDCP's Special Forfeiture Fund, with assets in excess of $100 million. The EOP has also experienced growth in staffing, with 183 more full-time permanent positions requested in FY 1991 than were authorized only two years ago. These increases in staffing and budget authority directly impact the workload of many administrative support functions provided by the Office of Administration.

WORK VOLUME ASSOCIATED WITH NEW EOP AGENCIES

In response to this workload increase, OA is requesting four new positions. The first position is a Personnel Specialist ($31,000 for compensation and benefits) to administer the processing of the increased number of personnel actions and assist with position classifications and recruiting related to the new agencies. A Fiscal Assistant ($25,000) is requested to assist in processing accounting and budgetary data for ONDCP. A new Procurement Analyst ($23,000) is requested to help administer the greater number and increased complexity of requisitions received from the new EOP agencies. Last, a Driver/Laborer ($19,000) is requested to handle mail and other materials processed through the EOP's newly implemented Remote Delivery Site.

CONTRACTOR CONVERSIONS

In addition to increased demands by new agencies, the Office of Administration also is committed to improving the range and quality of its administrative support. One manifestation of this commitment is to continue the policy, begun in FY 1990, of converting functions performed by contractors into positions held by full-time permanent government employees. Currently, OA contracts with a private company to provide facilities support for the operation of the EOP Data Center. The decision has been made to reduce OA's dependence on contractual support in the automated data processing area. The information handled in the Data Center is extremely sensitive and time critical. It is, therefore, important to preserve the knowledge of Data Center operations in-house, rather than exclusive reliance on contractor support. By establishing a foundation of institutional knowledge, OA can be assured that there always will be a permanent source of expertise available in the area of ADP within the agency. The twelve (12) positions requested for FY 1991 will continue this policy of contractor conversion. The conversion of these positions will improve the ratio of contractors to government personnel, decreasing contractors as a percentage of total ADP support staff from the current level of 59 percent, down to 48 percent in FY 1991. No additional funding is requested for these positions, however, $670,000 will be reprogrammed from Other Services to Compensation and Benefits. Over time, the cost of personnel paid at government rates also will be less expensive than the escalating costs of commercial contracts.

COORDINATION OF FACILITY RENOVATIONS

In addition, an Architectural Engineer is requested in FY 1991, at a cost of $63,000 in the Compensation and Benefits object classes. This position would assist in coordinating a number of large facility projects planned or underway in the Old Executive Office Building as well as facility work throughout the other buildings that comprise the White House complex.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION

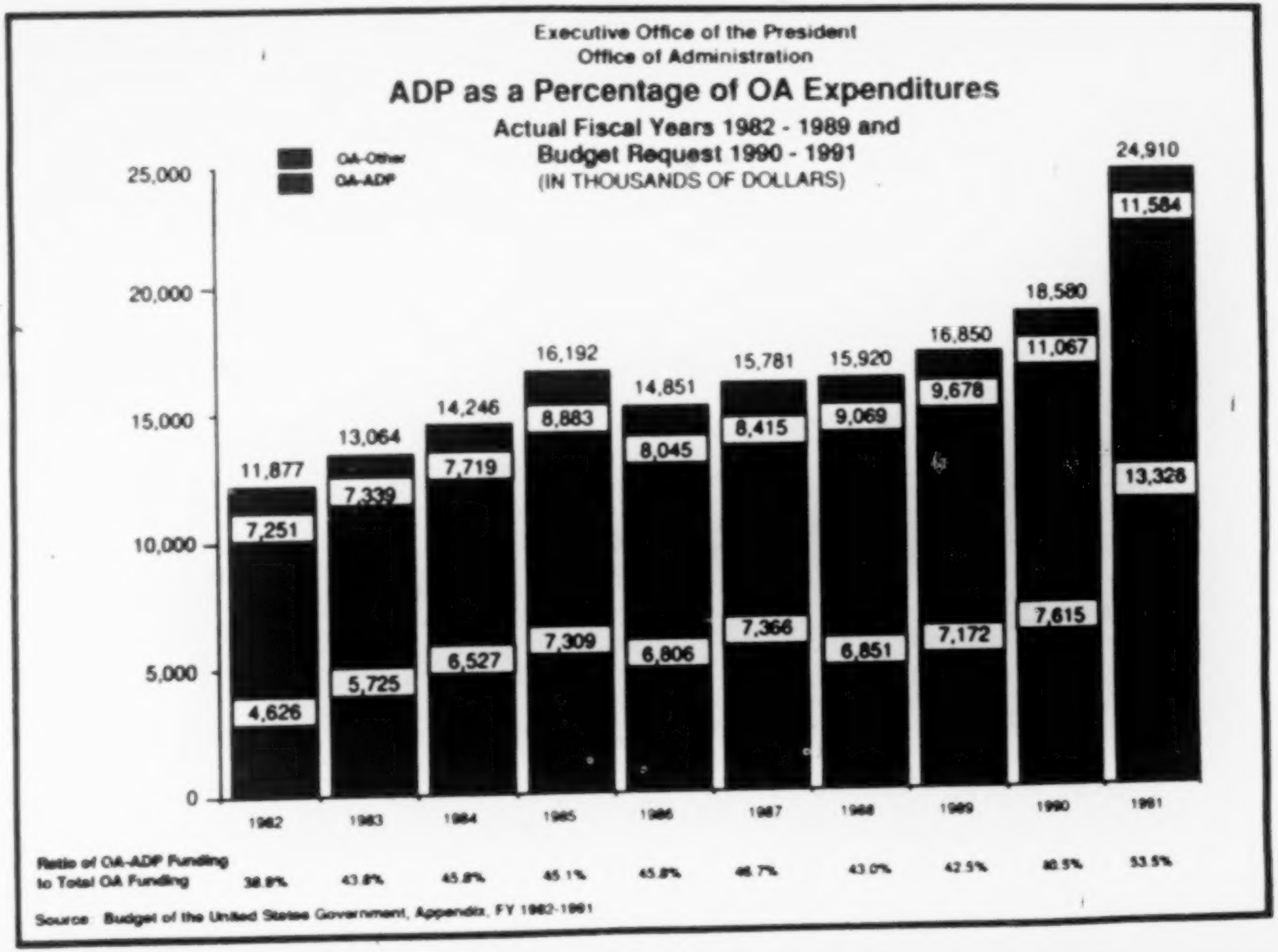
EXPANSION OF OFFICE OF ADMINISTRATION COMMON AUTOMATED DATA PROCESSING SERVICES

With the arrival of the Bush Administration, a reassessment of the Office of Administration's efficiency as a provider of common administrative support to the agencies of the Executive Office of the President was undertaken. One of the results of the reassessment has been an expansion of the definition of common support with respect to the area of automated data processing.

Previously, OA received reimbursement from agencies such as the White House Office and OMB for support provided in the area of specialized end user training on EOP ADP systems. However, this policy was revised in FY 1990 to provide this training support as a directly funded common service. As office automation has become a common tool in the EOP's administrative environment, OA's role as a supporter of common administrative services must correspondingly adapt. In addition, the training support has been expanded in order to make this service more accessible to all agencies within the EOP, not just the White House and OMB. This will allow OA to move away from the more specialized ADP services provided on a reimbursable basis in the past, and give OA the flexibility to offer a more complete array of ADP training and support directly to the EOP agencies upon their request. We feel this will increase the EOP's administrative efficiency by encouraging an active use of office automation tools.

For FY 1991, the Office of Administration is requesting direct funding of $450,000 to offset the costs for the training support. This amount pays the salaries of ten (10) employees which were previously funded through reimbursements from other EOP agencies. This policy was funded by reducing the discretionary expenditures in FY 1990 in Other Services and Equipment. The amount requested in FY 1991 will be used to return these object classes to the levels of funding they maintained prior to the change in policy.

Corresponding savings have been realized in the budgets of the White House Office and the Office of Management and Budget. Consequently, this initiative will have no net funding impact on the EOP's budget request. This request also has no impact on total Full-time Equivalent or Full-time Permanent staffing ceilings.

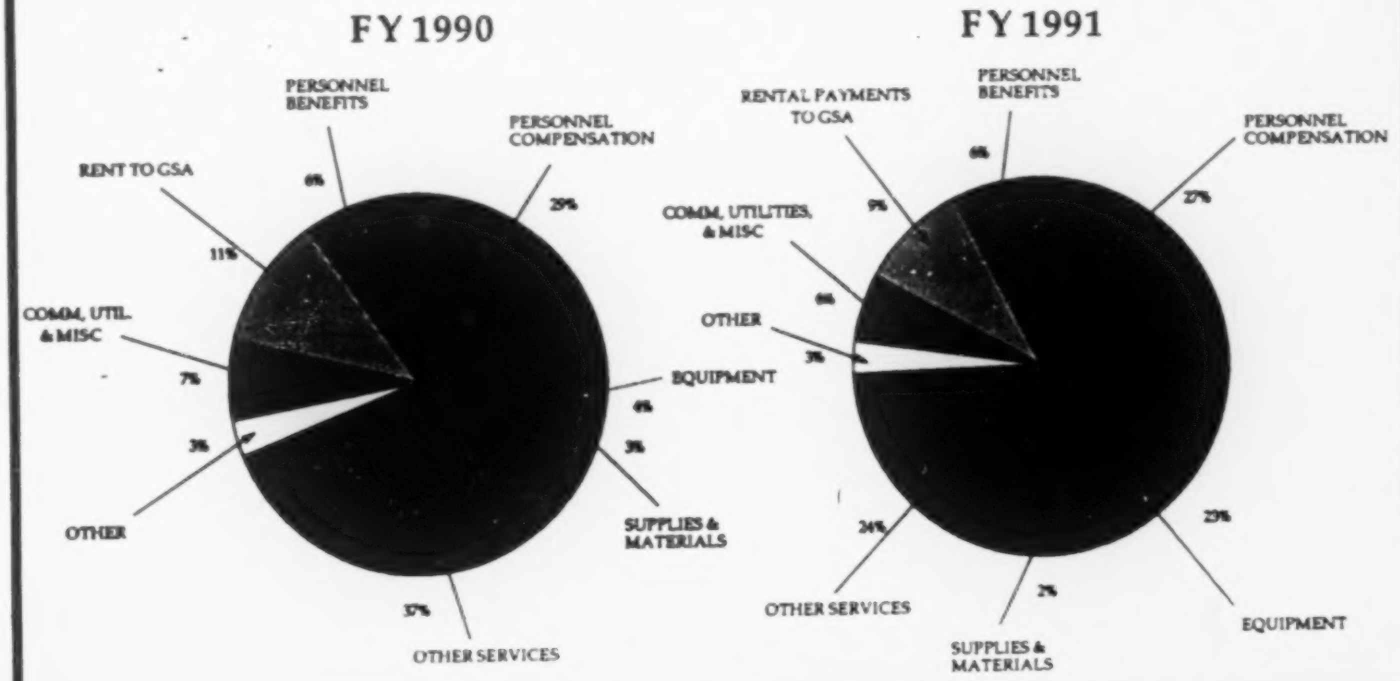


Source: Budget of the United States Government, Appendix, FY 1982-1991

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION

FUNDING REQUEST BY CLASSIFICATION

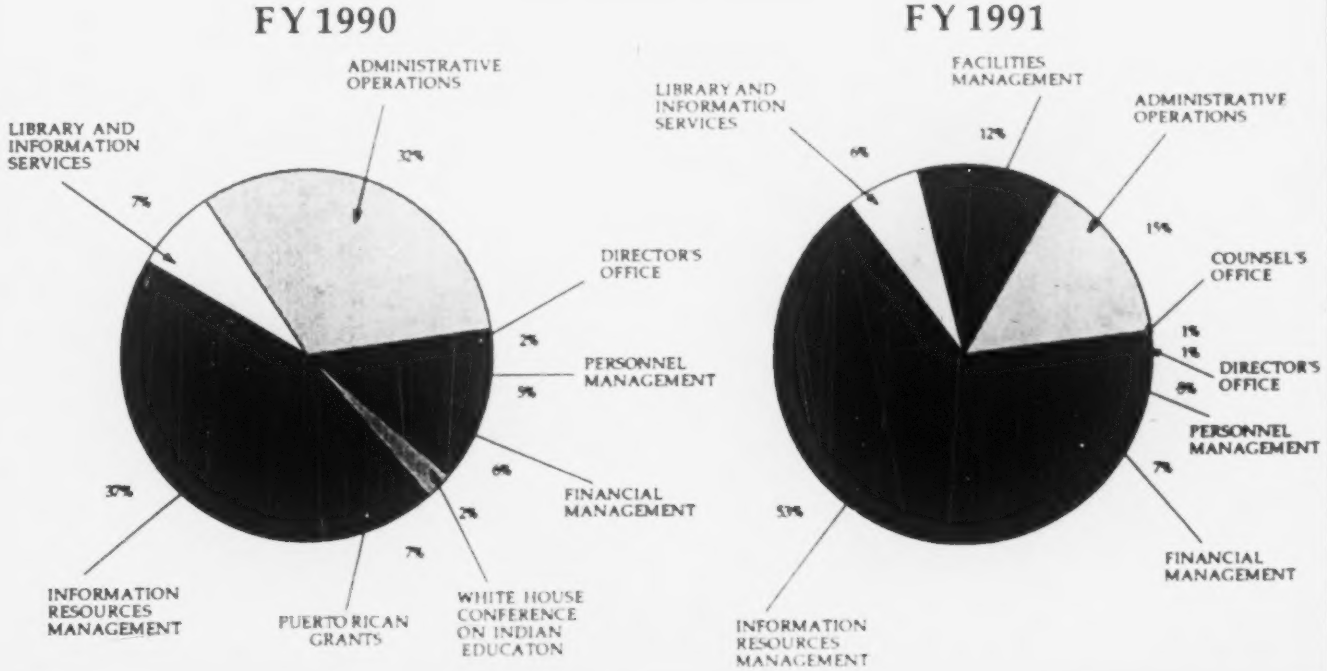
FISCAL YEARS 1990 - 1991
(IN THOUSANDS OF DOLLARS)



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION

FUNDING REQUEST BY PROGRAM ACTIVITY

FISCAL YEARS 1990 - 1991
(IN THOUSANDS OF DOLLARS)



EXECUTIVE OFFICE OF THE PRESIDENT

VICE PRESIDENT OF THE UNITED STATES

SPECIAL ASSISTANCE TO THE PRESIDENT

FISCAL YEAR 1991 BUDGET

Executive Office of the President
Special Assistance to the President
Congressional Submission
FY 1991

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I. GENERAL STATEMENT

Executive Office of the President
Special Assistance to the President

The Special Assistance to the President account was established on September 26, 1970 to enable the Vice President to provide assistance to the President. This assistance includes special presidentially assigned functions. The Vice President, through Cabinet membership and White House contact, is involved on a continuing basis regarding Presidential responsibilities.

Among the Vice President's specifically directed functions are the following:

- Member of the President's Cabinet, acting as chairman when the President is absent;
- Member of the National Security Council;
- Chairman of the National Space Council;
- Chairman of the Competitiveness Council;
- Ex Officio member of all Cabinet Councils; and
- Member of the Board of Regents of the Smithsonian Institutions.

The objective of the Office of the Vice President is to efficiently and effectively advise, assist, and support the Vice President in the areas of domestic policy, national security affairs, counsel, administration, press, public liaison, scheduling, and advance. Assistance is also provided for the spouse of the Vice President.

Special Assistance to the President
Functional Statement

The primary activities of the Office of the Vice President are briefly described below:

Policy: This office advises the Vice President on national issues. The Policy office prepares speeches, statements, and option papers.

National Security Affairs: The National Security Affairs office advises the Vice President on intelligence and foreign affairs developments, provides background on issues before the National Security Council, and prepares material for meetings with foreign officials and visits to foreign countries.

Counsel: This office is responsible for all legal work relating to the Office of the Vice President, including legal guidance on employment matters, conflicts of interest, Freedom of Information requests, and security clearances.

Press: The Press office provides information about the Vice President, his policies, programs, and statements.

Scheduling: The Scheduling office is responsible for the Vice President's daily schedule. This office handles requests for appointments with the Vice President, invitations, and long range scheduling.

Advance: The Advance office provides logistical planning and on-site arrangements for the Vice President's activities, including domestic and foreign travel. This office also is responsible for recruiting and supervising volunteer advance workers, and maintaining liaison with the U. S. Secret Service, and the White House Communications Agency.

Vice President's spouse: This office is responsible for assisting the spouse of the Vice President. Areas of activity include appointments, schedules, travel, press inquiries, and correspondence.

Administration: The Office of the Vice President also performs several administrative functions including a central record system, reporting and control of gifts to the Vice President, and oversight of budgetary functions.

Staff Secretary: This office is responsible for coordinating the timely preparation of materials for the Vice President including speeches, schedules, briefing papers, and other information of interest to the Vice President.

EXECUTIVE OFFICE OF THE PRESIDENT
SPECIAL ASSISTANCE TO THE PRESIDENT

Budget Overview
(Dollars in 000s)

	Actual FY 1989	Estimated FY 1990	Estimated FY 1991	Net Change FY '90-'91
Budget Authority:				
Appropriation	$2,199	$2,335	$2,587	$252
Gramm-Rudman Sequester		($32)		
Post GRH Authority		$2,303		
Employment:				
FTP	22	24	26	2
Total FTE	23	24	26	2

II. SUMMARY OVERVIEW
PART ONE

Executive Office of the President
Special Assistance to the President

FY 1990 APPROPRIATION	$2,335,000
- Less Gramm-Rudman (P.L. 99-177) Sequester	($32,000)
FY 1990 FUNDING LEVEL	$2,303,000
CURRENT SERVICE LEVEL INCREASES	
o Funding Requested to Partially Offset Effects of FY 1990, FY 1991, & Executive Level Pay Raises	$63,000
o Other Inflationary Increases	$43,000
o Decrease in Office Space	($32,000)
o Restoration of Base Level Pursuant to P.L. 99-177	$32,000

FY 1991 CURRENT SERVICES LEVEL	$2,409,000
ENHANCEMENTS	
o Two (2) New Positions	$114,000
o Travel Increase	$36,000
o Equipment Modernization	$28,000

FY 1991 REQUEST LEVEL	$2,587,000

II. SUMMARY OVERVIEW
PART TWO

Executive Office of the President
Special Assistance to the President

The fiscal year (FY) 1991 budget estimate for the Office of the Vice President is $2,587,000. This represents a $252,000 increase over the FY 1990 appropriation of $2,199,000, and an increase of $284,000 over the Gramm-Rudman post-sequester authority. The most significant component of the increase is a request for two additional positions for the Vice President's Office in FY 1991. These two requested positions would be the first staffing increase in the Vice President's executive branch office since FY 1986. The positions would ease staff workload in two critical areas: document management and policy analysis.

In addition, the Vice President's Office is requesting an increase of $40,000 to its travel ceiling. The new Vice President has been extremely active since taking office. The current travel ceiling has begun to place constraints on the Vice President's ability to attend official events outside the Washington area. The Travel budget has been stable for the last two fiscal years, and no increase was requested in the FY 1990, in order to have a full year of experience to evaluate the current Vice President's actual travel requirements. The additional funding requested for Travel in FY 1991 would be used to offset inflationary increases ($4,000) as well as to accommodate this Vice President's more active schedule in support of his expanded role in domestic affairs ($36,000).

The final increase unrelated to inflation is in the area of equipment. Due to the absorption of the series of cost of living pay raises in recent years, purchases in the area of office automation equipment have been almost continuously deferred. In FY 1990, the Gramm-Rudman sequestration resulted in another reduction to the funding available for equipment purchases. As a result, the Vice President's Office has personal computing equipment that is severely outdated. In FY 1991, the Vice President's Office is requesting an amount to restore this object class to its base level of funding, as well as an additional $28,000 for upgrades to the office's existing automated data processing capability.

III. APPROPRIATION LANGUAGE

Executive Office of the President
Special Assistance to the President

Salaries and Expenses

For necessary expenses to enable the Vice President to provide assistance to the President in connection with specially assigned functions, services as authorized by 5 U.S.C. 3109 and 3 U.S.C. 106, including subsistence expenses as authorized by 3 U.S.C. 106, which shall be expended and accounted for as provided in that section; and hire of passenger motor vehicles; [$2,335,000] $2,587,000. (Executive Office Appropriations Act, 1990.)

Special Assistance to the President
Salaries and Expenses

Program and Financing (in thousands of dollars)

11-1454-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Program by activities:			
00.01 Direct program	2,187	2,303	2,587
01.01 Reimbursable program:	7	...	...
10.00 Total obligations	2,194	2,303	2,587
Financing:			
11.00 Offsetting collections from: Federal funds	(7)	...	...
25.00 Unobligated balance lapsing	12	...	...
39.00 Budget authority (appropriation)	2,199	2,303	2,587
Budget Authority:			
40.00 Appropriation	2,199	2,335	2,587
40.00 Reduction pursuant to P.L. 99-177	...	(32)	...
43.00 Appropriation (adjusted)	2,199	2,303	2,587
Relation of obligations to outlays:			
71.00 Obligations incurred, net	2,187	2,303	2,587
72.40 Obligated balance, start of year	382	335	347
74.40 Obligated balance, end of year	(335)	(347)	(377)
77.00 Adjustments in expired accounts	(108)	...	...
90.00 Outlays	2,126	2,291	2,557

Special Assistance to the President

Program and Performance

These funds are to be used by the Vice President to carry out responsibilities assigned him by the President and by various statutes.

Special Assistance to the President
Salaries and Expenses

Object Classification (in thousands of dollars)

	11-1454-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	1,000	1,040	1,185
11.3	Other than full-time permanent	5	...	...
11.5	Other personnel compensation	3	...	...
11.9	Total personnel compensation	1,008	1,040	1,185
12.1	Personnel benefits: Civilian	188	179	211
21.0	Travel and transportation of persons	159	160	200
22.0	Transportation of things	5	6	7
23.1	Rental Payments to GSA	486	628	596
23.3	Communications, utilities, and miscellaneous charges	159	165	171
24.0	Printing and reproduction	15	7	18
25.0	Other services	84	70	85
26.0	Supplies and materials	57	33	55
31.0	Equipment	26	15	59
99.0	Subtotal, direct obligations	2,187	2,303	2,587
99.0	Reimbursable obligations	7	...	...
99.9	Total obligations	2,194	2,303	2,587

Special Assistance to the President
Salaries and Expenses

Personnel Summary

11-1454-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Total number of full-time permanent positions	22	24	26
Total compensable workyears:			
Full-time equivalent employment	23	24	26
Average salary of ungraded positions	$40,221	$42,887	$44,388

Special Assistance to the President
Salaries and Expenses

Detail of Permanent Positions

11-1454-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Ungraded	22	24	26
Total permanent positions	22	24	26
Unfilled positions, end of year	2	0	0
Total permanent employment, end of year	24	24	26

IV. SUMMARY TABLES

Executive Office of the President
Special Assistance to the President

Summary of Budget Authority by Object Class
FY 1989-1991
Direct Funds

BUDGET OVERVIEW
(in thousands of dollars)

	Actual FY 1989	Estimated FY 1990	Estimated FY 1991	Net Chang FY'90-'91
Personnel compensation:				
Full-time permanent	1,000	1,040	1,185	145
Other than full-time permanent	5	0	0	0
Other personnel compensation	3	0	0	0
Total personnel compensation	1,008	1,040	1,185	145
Personnel benefits: Civilian	188	179	211	32
Total compensation and benefits	1,196	1,219	1,396	177
Travel & transportation of persons	159	160	200	40
Transportation of things	5	6	7	1
Rental payments to GSA	486	628	596	-32
Comm., util., & misc. chgs.	159	165	171	6
Printing & reproduction	15	7	18	11
Other services	84	70	85	15
Supplies & materials	57	33	55	22
Equipment	26	15	59	44
Total direct program	2,187	2,303	2,587	284
Lapse	12	---	---	0
Budget Authority	2,199	2,303	2,587	284

V. EXPLANATION AND JUSTIFICATION OF CHANGES BY OBJECT CLASS FOR FY 1991

Executive Office of the President
Special Assistance to the President
(in thousands of dollars)

I. Increases to Maintain Current Services & Request Levels $ 284

FY'90	FY'91		Net Change
$ 1,219	$ 1,396	Personnel compensation and benefits	$ 177

The additional funding is requested to adequately fund the new level of 26 full-time permanent (FTP) positions, an increase of two positions above the FY 1990 level. Compensation and benefits for the new positions will require an amount of $114. Funding is also requested in the amount of $63 to offset the effects of a series of pay raises that the Vice President's Office is unable to absorb. The VP's Office is very personnel intensive, with compensation and benefit costs making up more than half of the FY 1991 budget request. This allows for little flexibility with respect to absorption of pay raise costs. The additional funding will allow for either a cost of living increase or raises comparable to those given to Executive Level employees.

FY'90	FY'91		Net Change
$ 160	$ 200	Travel and transportation of persons	$ 40

The $200 requested for travel and transportation of persons represents an increase of $40 above the FY 1990 level. This increase is comprised of $4 to offset inflation, and $36 to enhance current levels. This amount will enable the Vice President to discharge his responsibilities and presidentially assigned duties. Due to the active and extensive travel agenda undertaken by the Vice President, as well as inflationary pressures in the area of commercial travel costs, the first increase in this object class since FY 1988 is requested.

FY'90	FY'91		Net Change
$ 6	$ 7	Transportation of things An increase of $1 is requested for this line item, to meet the needs of the Vice President and his staff. This amount will return funding in this object class to FY 1988 levels, and will adjust for inflationary increases in the cost of commercial courier and transportation services.	$ 1
$ 628	$ 596	Rental payments to GSA To fund office space currently held by the Vice President, $596 is required. The reassignment of office space in the Old Executive Office Building during the change of Administrations resulted in a savings of $32 to the Vice President's Office in terms of rental payments to GSA.	- $ 32
$165	$171	Rent, Communications, and Utilities Funding for this line item provides the Vice President's Office with commercial telephone service, newswire services, capitalized leases for reproduction equipment, and rental of ADP equipment. An inflationary increase of $6 is requested for this line item to allow for the desired levels of operation under the new administration.	$ 6
$ 7	$ 18	Printing and Reproduction These funds provide for the government and commercial printing requirements of the Vice President and his staff. Additional funds in the amount of $11 are requested to meet the need for announcements, schedules, invitations, and special reports and presentations produced by the staff of the Vice President.	$ 11

FY'90 FY'91 Net Change

$ 70 $ 85 **Other Services** $ 15

The funding requested in the Other Services area is generally used for maintenance and service contracts in the area of office automation. Under the automated data processing plan developed by the Vice President's staff, office automation hardware is intended to be purchased in FY 1991 and FY 1992. While the new equipment will reduce maintenance costs over the next few years, software development and training will be required to accompany the new ADP program. Due to these factors, as well as inflationary pressures in these areas, an increase of $15 is requested in the Services line item.

$ 33 $ 55 **Supplies and Materials** $ 22

An increase of $22 is requested in this object class. This line item sustained a reduction of $17 in FY 1990 due to the Gramm-Rudman sequestration. The requested amount will restore funding in this area to its previous base level. An additional inflationary increase of $5 is requested in order to meet the needs for ADP related supplies and materials as well as providing for basic office supplies.

$ 15 $ 59 **Equipment** $ 44

This object class also experienced a reduction in FY 1990 due to the Gramm-Rudman cut. Therefore, $15 is requested to restore base levels of funding in this area. In addition to a small inflationary increase, an amount of $29 is requested to implement the beginning of an ADP improvement plan for the Office of the Vice President. In past budgets, funding levels for this line item have been quite conservative, creating an urgent need to modernize ADP capabilities in the Vice President's Office in order to fully take advantage of the skills of the new staff. This funding will initiate the acquisition of personal computers and printers,

FY'90	FY'91		Net Change
		hardware to establish local area networks, and electronic communications lines to establish link-ups with other databases. The second year of the ADP equipment upgrade program will include an additional amount of funding in the FY 1992 request.	
$ 2,303	$2,587	Total All Object Classes	$ 284

VI. DETAILED JUSTIFICATION OF NEW INITIATIVES

EXECUTIVE OFFICE OF THE PRESIDENT
SPECIAL ASSISTANCE TO THE PRESIDENT

NEW POSITIONS FOR THE VICE PRESIDENT'S OFFICE

In FY 1991, the Special Assistance to the Vice President account is requesting authority for two new full-time permanent positions and $114,000 in associated funding. These two positions represent the first increase to the Office of the Vice President's staffing authority since FY 1986. With the many new initiatives in which the current Vice President is engaged, such as the recently created Space Council and Competitiveness Council, workload has increased to the point where the present staff is in need of assistance in both the administrative support and policy areas.

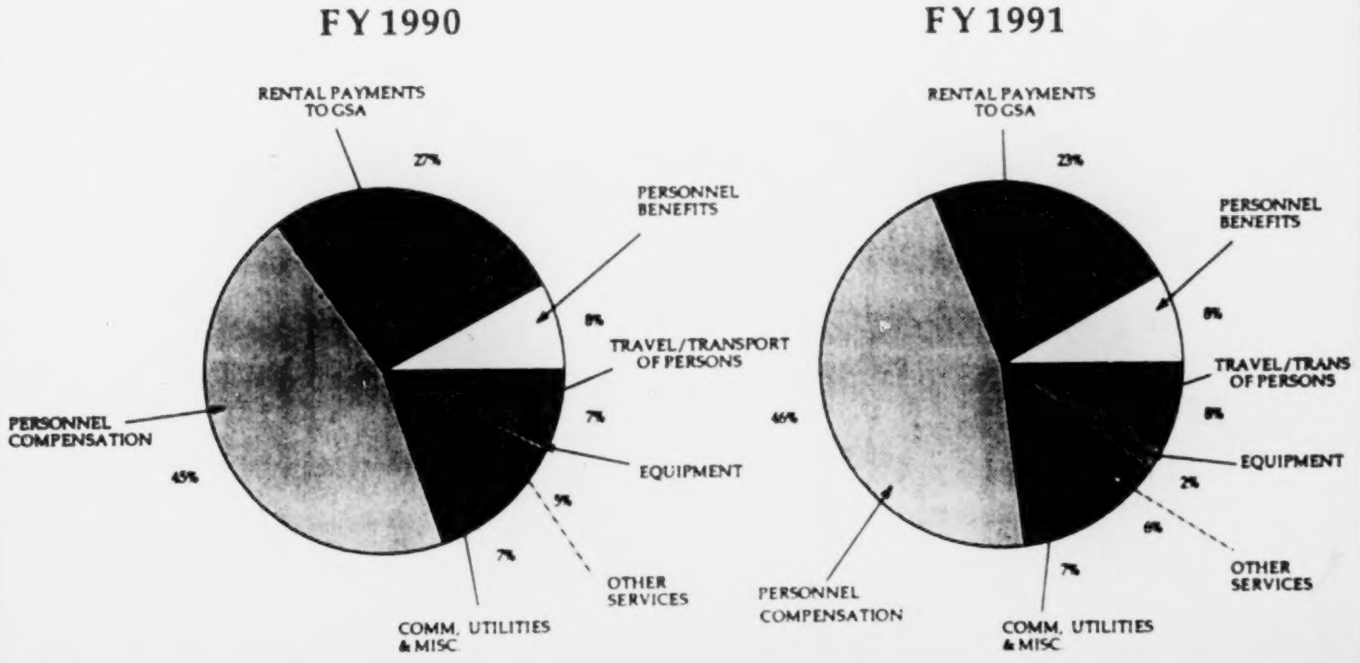
The two new positions are requested in currently understaffed areas that are essential to keep the Vice President informed, and keep the flow of office information organized. First, an Assistant to the Staff Secretary (estimated compensation and benefit costs, $30,000) is requested. This position provides assistance in controlling and processing all briefing material and correspondence that crosses the Vice President's desk each day.

The second position requested is an Assistant to the Vice President for Domestic Policy (estimated compensation and benefit costs at $84,000). This position is intended to help advise the Vice President on domestic issues and policy such as the war on drugs and the space program.

EXECUTIVE OFFICE OF THE PRESIDENT
SPECIAL ASSISTANCE TO THE PRESIDENT

FUNDING REQUEST BY CLASSIFICATION

FISCAL YEARS 1990 - 1991
(IN THOUSANDS OF DOLLARS)



Executive Office of the President

OFFICIAL RESIDENCE OF THE VICE PRESIDENT

FISCAL YEAR 1991 BUDGET

Executive Office of the President
Official Residence of the Vice President
Congressional Submission
FY 1991

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I. GENERAL STATEMENT

Executive Office of the President
Official Residence of the Vice President

The Official Residence of the Vice President (Residence) account was established by Public Law 93-346 on July 12, 1974. The residence is located on the grounds of the Naval Observatory in the District of Columbia, and serves as a facility for official and ceremonial functions and as a home for the Vice President and his family.

The objective of the Residence account is to provide for the care, operation, maintenance, repair, improvement, and alteration of the residence and to provide such appropriate equipment, furnishings, dining facilities, services, and provisions as may be required to enable the Vice President to perform and discharge the duties, functions, and obligations associated with his high office.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICIAL RESIDENCE OF THE VICE PRESIDENT

Budget Overview
(Dollars in 000s)

	Actual FY 1989	Estimated FY 1990	Estimated FY 1991	Net Change FY '90-'91
BUDGET AUTHORITY:				
Appropriation	$258	$578	$626	$48
Gramm-Rudman Sequester		($4)		
Post GRH Authority		$574		
Employment:				
FTP	1	1	1	0
Total FTE	1	1	1	0

II. SUMMARY OVERVIEW
PART ONE

Executive Office of the President
Official Residence of the Vice President

FY 1990 APPROPRIATION	$578,000
- Less Gramm-Rudman (P.L. 99-177) Sequester	($4,000)

FY 1990 FUNDING LEVEL	$574,000
- Less funding for Handicap Access Project	($120,000)
- Less funding for Renovations	($200,000)

FY 1990 BASE FUNDING LEVEL	$254,000
CURRENT SERVICE LEVEL INCREASES	
o Inflationary Increases	$23,000
o Increase to Representation Fund	$15,000
o Restoration of Base Level Pursuant to P.L. 99-177	$4,000

FY 1991 CURRENT SERVICES LEVEL	$296,000
ENHANCEMENTS	
o Modifications Associated with the Long-Range Maintenance Plan	$330,00

FY 1991 REQUEST LEVEL	$626,000

II. SUMMARY OVERVIEW
PART TWO
Executive Office of the President
Official Residence of the Vice President

To meet FY 1991 salary and operating requirements and to pursue a long range maintenance program for the Official Residence of the Vice President, $626,000 is requested. This request represents an amount of $296,000 to maintain current operations, and a request of $330,000 to continue the second phase of renovations to the residence related to the Building Evaluation of the Vice President's Residence.

The recurring portion of this budget request is for on-going services and maintenance in support of the residence. The requested amount of $296,000, represents an increase of $38,000 over FY 1990 baseline operations. The increase is a result of several factors. Foremost is a requested increase of $15,000 for the Representation allowance. The current Vice President and his spouse's activities will dictate a busy schedule in terms of hosting official functions at the residence, and an increase in the Representation account will allow them to adequately support their future role as representatives of the Bush administration and the U.S. Government. An inflationary increase of $23,000 is also requested to ensure that the basic level of support for the residence remains the same in areas such as utilities, travel, and services.

Long-Range Maintenance Plan

A Task Force comprised of representatives from the General Services Administration, the Office of Administration, the Vice President's Office, the Department of the Navy, and the U.S. Secret Service developed an assessment of the structural needs required for the Vice President's Residence to operate in a way befitting the Second Family. That building evaluation phase began in September, 1988 and is now essentially complete. With the completion of the Building Evaluation, the maintenance requirements for the Vice President's residence, as well its fundamental structural condition, have now been better defined.

The most urgent needs were identified by the Task Force, and funding to make the residence accessible to the handicapped was appropriated in FY 1990. Monies were also appropriated to allow for critical renovations to the third floor living quarters of the residence. The second phase of restoration projects has now been identified for inclusion in the FY 1991 request, totalling $330,000. The foremost amongst these projects is the repair and restoration of moisture damaged walls and plaster ceilings on all floors of the residence, at a requested $220,000. This project will require extensive retro-fitting of the building's insulation system. In addition, $60,000 is requested to strip, repair, and repaint doors, door trim, window moldings, ceiling cornices, and baseboards throughout the residence. Electrical repairs ($31,000) and replacement of waterproof tiles under the second floor roof deck ($14,000) complete the maintenance plan projects requested for action during FY 1991. Last, $5,000 is requested to undertake an annual preventive maintenance program, consisting of regular inspections and routine upkeep of the residence's infrastructure.

III. APPROPRIATION LANGUAGE

Executive Office of the President
Official Residence of the Vice President

Operating Expenses

For the care, maintenance, repair and alteration, refurnishing, improvement, heating and lighting, including electric power and fixtures, of the official residence of the Vice President, the hire of passenger motor vehicles, and not to exceed $90,000 for official entertainment expenses of the Vice President, to be accounted for solely on his certificate; [$578,000] $626,000: Provided, That advances or repayments or transfers from this appropriation may be made to any department or agency for expenses of carrying out such activities. (Executive Office Appropriations Act, 1990.)

Official Residence of the Vice President
Operating Expenses

Program and Financing (in thousands of dollars)

11-0211-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Program by activities:			
10.00 Total obligations	248	574	626
Financing:			
25.00 Unobligated balance lapsing	10	...	...
39.00 Budget authority	258	574	626
Budget Authority:			
40.00 Appropriation	258	578	626
40.00 Reduction pursuant to P.L. 99-177	...	(4)	...
43.00 Appropriation (adjusted)	258	574	626
Relation of obligations to outlays:			
71.00 Obligations incurred, net	248	574	626
72.40 Obligated balance, start of year	138	135	239
74.40 Obligated balance, end of year	(135)	(239)	(256
77.00 Adjustments in expired accounts	3	...	...
90.00 Outlays	254	470	609

Donations for the Official Residence of the Vice President
Trust Funds

Program and Financing (in thousands of dollars)

11-8241-0-7-802		FY 1989	FY 1990	FY 1991
	Program by activities:			
10.00	Total obligations (object class 25.0)	16	---	---
	Financing:			
14.00	Offsetting collections from: Non-Federal sources	(175)	---	---
17.00	Recovery of prior year obligations	---	---	---
21.90	Unobligated balance available, start of year	---	(159)	(159)
24.90	Unobligated balance available, end of year	159	159	159
39.00	Budget authority	---	---	---
	Relation of obligations to outlays:			
71.00	Obligations incurred, net	(159)	---	---
72.90	Obligated balance, start of year	---	16	16
74.90	Obligated balance, end of year: Fund balance	(16)	(16)	(16)
78.00	Adjustments in unexpired accounts	---	---	---
90.00	Outlays	(175)	---	---

Official Residence of the Vice President

Program and Performance

These funds provide for the care, maintenance, and operation of the Vice President's official residence.

Official Residence of the Vice President
Operating Expenses

Object Classification (in thousands of dollars)

11-0211-0-1-802		FY 1989 Actual	FY 1990 Estimate	FY 199 Estima
	Personnel compensation:			
11.1	Full-time permanent	33	36	4
11.8	Special personal services payments	...	...	..
		....	....	....
11.9	Total personnel compensation	33	36	4
12.1	Personnel benefits: Civilian	8	8	[illegible]
21.0	Travel and transportation of persons	4	5	
22.0	Transportation of things	...	1	
23.3	Communications, utilities, and miscellaneous charges	24	32	4
24.0	Printing and reproduction	2	5	
25.0	Other services	139	444	49
26.0	Supplies and materials	3	12	1
31.0	Equipment	35	31	1
99.9	Total obligations	248	576	62

Official Residence of the Vice President
Operating Expenses

Personnel Summary

11-0211-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Total number of full-time permanent positions	1	1	1
Total compensable workyears:			
Full-time equivalent employment	1	1	1

Official Residence of the Vice President
Operating Expenses

11-0211-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimat
GS-12	1	1	1
Unfilled positions, end of year	...	...	...
Total permanent employment, end of year	1	1	1

IV. SUMMARY TABLE

Executive Office of the President
Official Residence of the Vice President

Summary of Budget Authority by Object Class
FY 1989-1991

BUDGET OVERVIEW
(in thousands of dollars)

	Actual FY 1989	Estimated FY 1990	Estimated FY 1991	Net Chang FY'90-'91
Personnel compensation:				
Full-time permanent	33	36	41	5
Special personal services payments	---	---	---	0
Total personnel compensation	33	36	41	5
Personnel benefits: Civilian	8	8	10	2
Total compensation & benefits	41	44	51	7
Travel & transportation of persons	4	5	7	2
Transportation of things	---	1	1	0
Comm., util., & misc. chgs.	24	32	40	8
Printing & reproduction	2	5	5	0
Other services	139	444	492	48
Supplies & materials	3	12	15	3
Equipment	35	31	15	-16
Total direct program	248	574	626	52
Lapse	10	---	---	0
Budget Authority	258	574	626	52

V. EXPLANATION AND JUSTIFICATION OF CHANGES BY OBJECT CLASS FOR FY 1991

Executive Office of the President
Official Residence of the Vice President
(in thousands of dollars)

I. Increases to Maintain Current Services & Request Levels $ 48

FY'90	FY'91		Net Change
$ 44	$ 51	Personnel compensation and benefits	$ 7

This area provides for the compensation and benefits for the one full-time permanent employee assigned to the residence. Specifically, these funds provide the residence with an Administrative Assistant who has responsibility for oversight of the residence and liaison with the Second Family. With the increasing amount of activity taking place at the residence, including official ceremonial events, implementation of the Long Range Maintenance Plan, and a larger family, more and more demands have been placed on the Second Family's Assistant. An increase of $7 is requested in the compensation and benefits object classes to fund the cost of living pay increases for FY 1990 and FY 1991.

$ 5 $ 7 Travel and transportation of persons $ 2

The cost of local transportation and travel of residence staff is funded by this object class. The $7 requested for FY 1991 will meet the rising costs of leasing a vehicle as well as local fares to fulfill transportation requirements associated with official business travel in the metropolitan Washington area by residence staff.

$ 1 $ 1 Transportation of things $ 0

Funding for this object class will provide for the cost of shipping, handling, and moving of residence furnishings, equipment, and artwork. No additional funds are requested.

FY'90	FY'91		Net Change
$ 32	$ 40	Rent, Communications, and Utilities	$ 8
		From this object class, the cost of residence utilities, such as electricity for lighting, are met, as are the costs for primary central furnace plant, and the cost of communication lines. An increase of $8 is requested in this object class to keep pace with rate increases and to accommodate the demands of housing a larger family in the residence.	
$ 5	$ 5	Printing and reproduction	$ 0
		Funding for this object class will cover the commercial, contractual printing, and reproduction requirements of the residence. The current funding level is sufficient to meet the needs of the residence.	
$ 369	$ 402	Other Services	$ 33
		Funding in this object class provides for the maintenance of the residence including minor exterior and interior repair and upkeep such as carpentry, painting, and wall repair; maintenance of the heating, air conditioning, electrical, and plumbing systems; elevator maintenance; contractual services such as refuse collection and disposal, snow removal, dry cleaning of furnishings, limited essential repair and upkeep of furniture; minor structural changes or repair to the residence to maintain and preserve its historical character. The $369 level in FY 1990 includes $69 for baseline operations and an amount of $300 for Maintenance Plan projects and special renovations. The baseline funding is requested to increase by $4 to a level of $73 in FY 1991 to keep pace with inflationary pressures in obtaining services associated with the upkeep of the residence and to fund an annual preventive maintenance program as	

FY'90	FY'91		Net Change
		recommended by the Long Range Maintenance Plan. The FY 1991 request for this object class also contains $330 in funding for projects identified in the Maintenance Plan, such as replacement and restoration of plaster ceilings and walls, building insulation, and upgrades to the residence's electrical system.	
$ 75	$ 90	Official Entertainment	$ 15
		The Vice President performs official entertainment functions at the request of, or in support of, the President, in addition to the official entertainment required by his own high office. In support of these official functions, the Official Entertainment line item provides for entertainment services such as catering and rental of equipment and for the food and beverages consumed. For presentation in the President's budget request to Congress, entertainment is included in the Other Services object class. The amount available for expenditure in this object class is statutorily limited in the appropriations language. An increase of $15 is requested for FY 1991 to support the ceremonial functions taking place at the residence under the new Vice President. The Vice President and his spouse have been extremely active in terms of hosting official and ceremonial functions at the residence. This request represents only the second increase in the more than a decade.	
$ 12	$ 15	Supplies and materials	$ 3
		Expenditures classified under this object class include the purchase of general household supplies required to support the operation of the residence, office and ADP supply requirements, and the cost of fuel for the leased vehicle. A small increase of $3 is requested to purchase supplies for the residence to accommodate the needs of the new, larger family currently	

FY'90	FY'91		Net Change
		residing there and supplies related to the new annual preventative maintenance program.	
$ 31	$ 15	Equipment The purchase and replacement of residence furnishings and representational equipment, such as china, are funded by this object class. In addition, the purchase of ADP equipment is also funded from this object class. This object class sustained a $4 reduction in FY 1990 due to the Gramm-Rudman sequestration. We are requesting that these funds be requested to return funding for equipment purchases to their previous base levels. Also, $20 included in FY 1990 for expenditures related to making the residence accessible to the handicapped have been backed out for FY 1991. These actions resulted in the $16 decrease displayed above.	-$ 16
$ 578	$ 626	Total all object classes	$ 48

VI. DETAILED JUSTIFICATION OF NEW INITIATIVES

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICIAL RESIDENCE OF THE VICE PRESIDENT

VICE PRESIDENT'S RESIDENCE LONG-RANGE MAINTENANCE STUDY

Historically, the funding provided in the Vice President's Residence account has been adequate to fund the general operating costs and minor routine maintenance of the residence. For FY 1991, the requested base level of funding is $296,000. Funding for significant cyclical or structural renovations and major repairs are not included in this budgetary base.

Generally, planning and budgeting for large cyclical repairs has taken place only in response to problems as they became apparent. In the absence of a systematic approach to long term upkeep, much of the repair work has been superficial and has not addressed any fundamental structural problems.

In response to this, and with the concurrence of the Vice President's office, the Office of Administration initiated a formal assessment of the residence as a method for implementing an improved budgeting and planning process. The objectives of this assessment included:

- o Performing an architectural analysis of the structural condition of the residence and its mechanical systems
- o Development of a multi-year preventive maintenance plan
- o Identification of modifications to the residence that would make it more suitable for the activities of the Vice President

Beginning in September 1988, a study team comprised of representatives from the Vice President's Office, the Office of Administration, the General Services Administration, the U. S. Secret Service, U. S. Navy, and the National Park Service performed a comprehensive survey of the residence. Architectural and engineering inspections of the residence were completed in the month of November 1988. The study team's findings have been compiled in a document which identifies recommended short and long term repairs, identifies desirable or important improvements to the residence, and establishes a multi-year maintenance plan. Recommendations have been classified as to their urgency, desirability, and cost. The overall study and its recommendations were reviewed in their entirety by the Vice President's Office as a basis for the formulation of a long-term planning tool and action document.

The FY 1990 and FY 1991 budget requests for the Vice President's Residence contain initiatives reflecting the recommendations of the maintenance plan. The FY 1990 request included funding for two urgently needed items. The major initiative was a request for $115,000 to construct permanent exterior handicap ramps, reconfigure restrooms and fixtures to provide handicap accessibility, and install a chairlift to allow access between entrance, reception/dining areas, and restrooms. Secondly, funding in the amount of $5,000 was requested to repair an adjoining section of roof which is currently experiencing a moisture problem. Both of these initiatives are currently being pursued.

For FY 1991, a total of $330,000 is requested above the base funding level for projects recommended by the maintenance plan. The major initiative is the repair and restoration of damaged walls and plaster ceilings on all floors of the residence, at a requested $220,000. This is intended to solve a long-standing problem at the residence. Except in selected areas, the plaster walls and ceilings are from the original construction of the residence in 1893. In general, the original walls and ceilings have severe hairline cracks, allowing moisture to seep in and causing the plaster to crack or peel. In some cases, the walls and ceilings have been covered with fabric so they could be painted, but this did not address the underlying problem. Building maintenance personnel indicated that attempts to patch these areas of bad plaster have become futile because the base course crumbles into sand. Rather than merely continuing patchwork repairs, funding is requested to replace the existing plaster walls with new ones, and to waterproof and insulate the exterior walls to protect against future water damage.

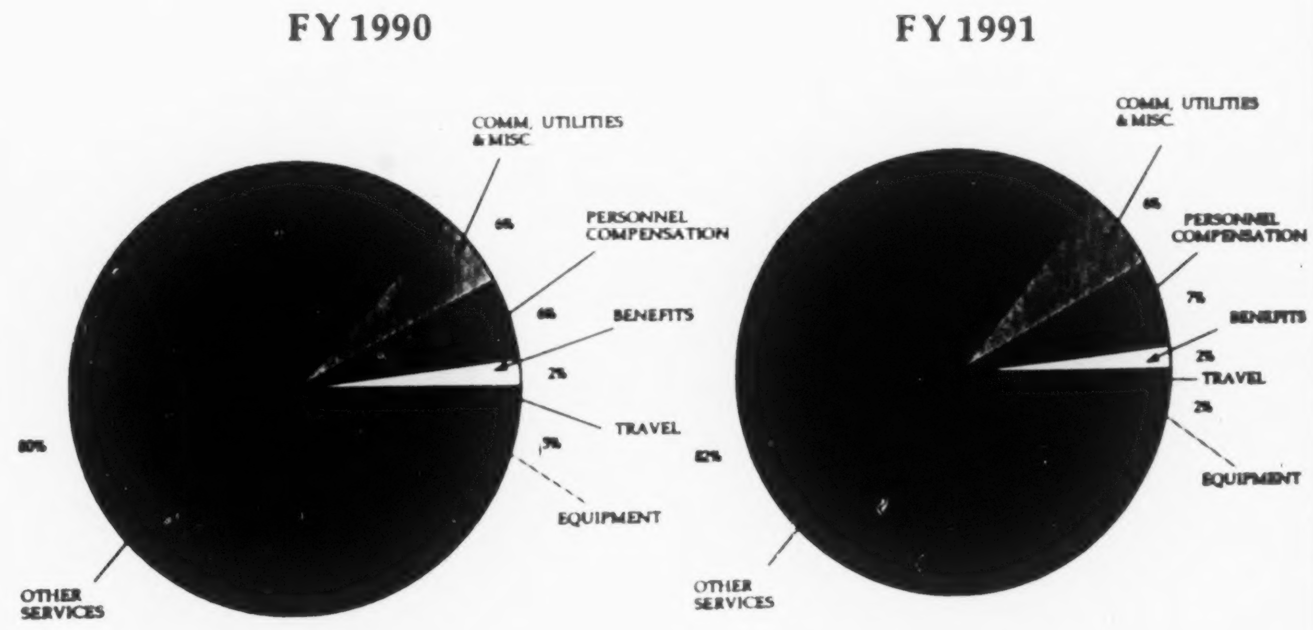
A project associated with the wall and ceiling plaster repair is the stripping, repairing, priming, and repainting of all window moldings, ceiling cornices, doors, door trim, and baseboards throughout the residence. Currently, the trim and moldings throughout the residence are badly damaged, unsightly in appearance, and suffer from the effects of layers of paint having been used over the years. For this initiative, $60,000 is requested.

Improvements to the residence's electrical system also are recommended by the maintenance plan. These improvements consist of replacing the main electrical distribution panel with a new circuit breaker type panel board, and providing a new branch circuit panel board on each of the buildings three floors. These improvements will accommodate the U.S. Secret Service's desire to provide a modernized power source for state of the art security equipment. The requested funding for this initiative totals $31,000. The final project requested for implementation during FY 1991 is the replacement of waterproof tiles under the second floor roof deck ($14,000). This is one area of the roof that is not in good condition, and currently causes a water seepage problem onto lower levels.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICIAL RESIDENCE OF THE VICE PRESIDENT

FUNDING REQUEST BY CLASSIFICATION

FISCAL YEARS 1990 - 1991
(IN THOUSANDS OF DOLLARS)



EXECUTIVE OFFICE OF THE PRESIDENT

UNANTICIPATED NEEDS

FISCAL YEAR 1991 BUDGET

Funds Appropriated to the President
Unanticipated Needs
Congressional Submission
FY 1991

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I. GENERAL STATEMENT

Funds Appropriated to the President
Unanticipated Needs

In 1940, Congress recognized the need for the President of the United States to have limited funds available to meet unplanned and unbudgeted contingencies. In so doing, an account entitled "Emergency Fund for the President" was created allowing the President, as the head of a complex national government, to confront unforeseen problems demanding immediate executive action. In 1975, Congress changed the account title to "Unanticipated Needs".

Expenditures from this account may be authorized only by the President. The Director of the Office of Management and Budget provides the necessary controls to assure that only unforeseen priorities are financed, and the Office of Administration administers the account and monitors the funds for each allocation made from the account.

EXECUTIVE OFFICE OF THE PRESIDENT
UNANTICIPATED NEEDS

Budget Overview
(Dollars in 000s)

	Actual FY 1989	Estimated FY 1990	Estimated FY 1991	Net Change FY '90-'91
Budget Authority:				
Appropriation	$1,000	$1,000	$1,000	$0
Employment:				
FTP	0	0	0	0
Total FTE	0	0	0	0

II. SUMMARY OVERVIEW

Funds Appropriated to the President
Unanticipated Needs

The President requests $1,000,000 for Unanticipated Needs for FY 1991. This is the same amount as requested for FY 1990.

In FY 1989, one allocation was made from the Unanticipated Needs account in the amount of $181,000, to the National Space Council. The Council, created by Public Law 100-685, and implemented by Executive Order 12675 to provide a space policy and strategy for the nation. The Council's purpose and composition were not established until April 20, 1989, and therefore, funding for the Council was unable to be considered in the preparation of the 1989 budget request. Subsequently, its FY 1989 operations were funded from the Unanticipated Needs account.

III. APPROPRIATION LANGUAGE

Executive Office of the President
Unanticipated Needs

Unanticipated Needs

For expenses necessary to enable the President to meet unanticipated needs, in furtherance of the national interest, security, or defense which may arise at home or abroad during the current fiscal year: $1,000,000. (Executive Office Appropriations Act, 1989.)

Unanticipated Needs
Salaries and Expenses

Program and financing (in thousands of dollars)

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
11-0037-0-1-802			
Program by activities:			
00.01 National Space Council	181	...	...
00.02 Reserved for future allocation	...	1,000	1,000
10.00 Total obligations	181	1,000	1,000
Financing:			
25.00 Unobligated balance lapsing	819	...	...
40.00 Budget authority	1,000	1,000	1,000
Relation of obligations to outlays:			
71.00 Obligations incurred, net	181	1,000	1,000
72.40 Obligated balance, start of year	42	110	110
74.40 Obligated balance, end of year	-110	-110	-110
90.00 Outlays	113	1,000	1,000

Unanticipated Needs

Program and Performance

These funds enable the President to meet unanticipated needs in furtherance of the national interest, security, or defense.

Unanticipated Needs
Salaries and Expenses

Object Classification (in thousands of dollars)

	11-0037-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
	ALLOCATION ACCOUNTS			
11.1	Personnel compensation: Full-time permanent	70	---	---
11.3	Other than full-time permanent	1	---	---
11.8	Special personal service payments	7	---	---
11.9	Total personnel compensation	78	---	---
12.1	Civilian personnel benefits	11	---	---
21.0	Travel and transportation of persons	2	---	---
22.0	Transportation of things	---	---	---
23.1	Rental Payments to GSA	29	---	---
23.3	Communications, utilities, and miscellaneous charges	14	---	---
24.0	Printing and reproduction	6	---	---
25.0	Other services	22	---	---
26.0	Supplies and materials	6	---	---
31.0	Equipment	13	---	---
92.0	Undistributed, reserved for future allocations	---	1,000	1,000
99.9	Total obligations	181	1,000	1,000

Unanticipated Needs
Allocation Accounts

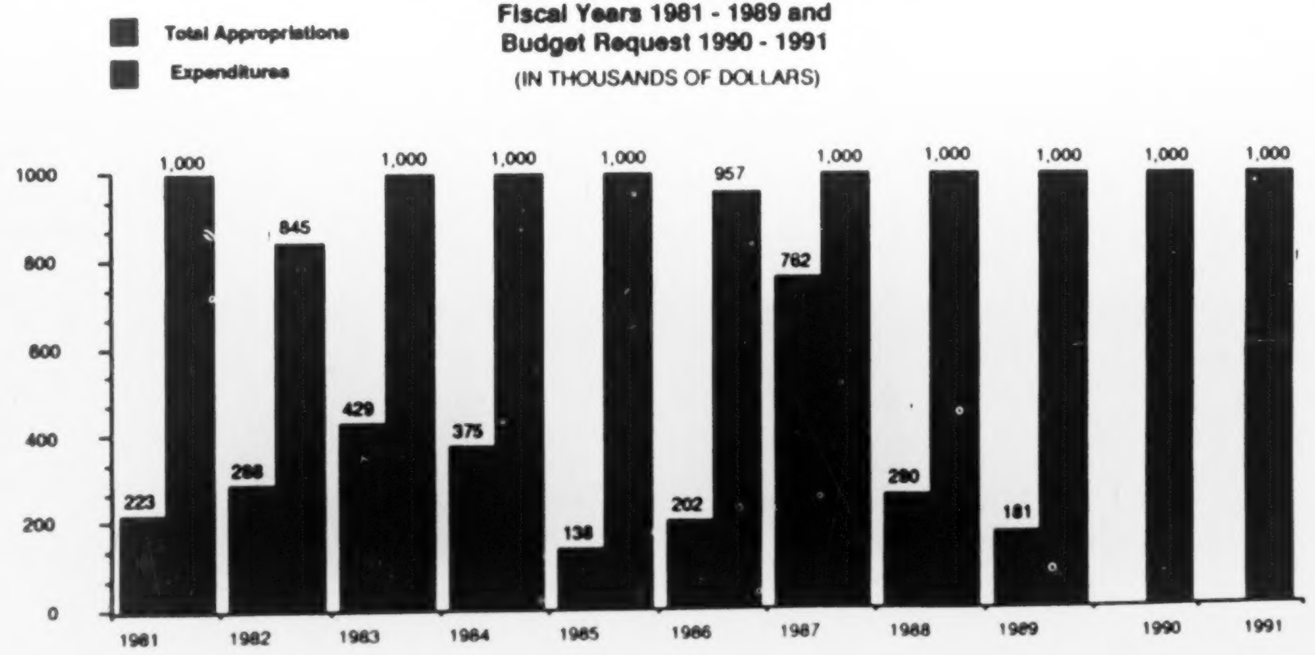
Personnel Summary

11-0037-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Total number of full-time permanent positions	---	---	---
Total compensable workyears:			
Full-time equivalent employment	---	---	---
Full-time equivalent of overtime and holiday hours	---	---	---

Executive Office of the President
Unanticipated Needs

Actual Expenditures as a Percentage of Congressional Appropriation

Fiscal Years 1981 - 1989 and
Budget Request 1990 - 1991
(IN THOUSANDS OF DOLLARS)



Source: Budget of the United States Government, Appendix, FY 1982 - 1991

TUESDAY, MARCH 20, 1990.

OFFICE OF NATIONAL DRUG CONTROL POLICY

WITNESSES

WILLIAM J. BENNETT, DIRECTOR
JOHN P. WALTERS, CHIEF OF STAFF
BRUCE M. CARNES, DIRECTOR, OFFICE OF PLANNING, BUDGET, AND ADMINISTRATION

Mr. ROYBAL. The committee will come to order. The committee will now hear from the Office of Drug Control Policy, Mr. William J. Bennett. You may proceed in any manner you desire.

OPENING STATEMENT OF WILLIAM J. BENNETT

Mr. BENNETT. Thank you, Mr. Chairman. You have my statement for the record. Let me just say that when I appeared before you last, we had a number of ideas and proposals and we have now carried through on those ideas and proposals. We have now developed two editions of the National Drug Control Strategy, Strategy I, Strategy II, for the President. He has sent them on to the Congress, presented them to the American people. We have a plan, it is in place and it is functioning.

I think it is a good plan. I am very pleased to see that in its largest parts it has received strong bipartisan support. We have agreement in Washington between Democrats and Republicans on the largest outlines and directions of the strategy. There are still some matters of difference, but they are relatively small in number compared to the number of things on which we agree.

We have a comprehensive picture of national drug policy, something we did not have a year ago. We are putting money behind this effort. If Congress enacts this strategy as is, total federal spending on anti-drug efforts will have increased by 69 percent since the President took office.

These efforts aside, I think the most important thing that has occurred in the last—I do not know exactly when—few years, is an area more difficult to quantify but in the end much more important. That is the attitude of our citizens. It as a real shift in attitude. I have seen it, you have seen it. And it is going to have profound consequences. We are witnessing the great American change of mind on drugs. Federal efforts, state efforts, local efforts are catching up to that great American change of mind, but with that shift in attitude on the part of the American people and real programs from the federal government to the state government, I am now confident that America is going to win, it is going to prevail in this effort.

It is going to take time. As we have studied the problem, we have seen that essentially the drug problem is a problem on two fronts or a war on two fronts. One front involves casual use, one front involves addictive use. On the casual abuse front, the country is winning hands down. The number of new users of illegal drugs continues to decline; the overall number of users of illegal drugs continues to decline.

But the problem is revolving toward the addict, toward the heavy user, and that is a tougher and harder front. In time, if we maintain our efforts, I think that front will improve as well. We are certainly not out of the woods yet, but as I have said that in a number of places, I think we are at the end of the beginning, and maybe even further along than that.

One other thing, along with this overall social change, attitudinal change, there is an attitudinal change that I have noticed in those parts of America worst afflicted by the drug problem, many of our inner cities, many of our poor areas where the drugs have hit the hardest, and there are lots of profound—sometimes truly profound sometimes only wishing to be profound—theories about why people use drugs. But one thing you have to realize is if you take a poor community, an inner city community, one reason you are likely to see more intense drug use there is because that's where the drug dealers go. That is the first place they go to sell their wares. The child living in poverty is more likely to have drugs pushed on him than the child living in affluence. So there is a different environment there.

I have been now since I last saw you to 37, 38 cities around the country and the one thing I have noticed is that the American people, particularly people in these worst afflicted areas, are in the mood to fight back. There is not the despair so much that we saw a year, two years, three years ago. That is not the prevalent mood. The prevalent mood now is anger. People are mad, they are damn mad and they want to do something about it.

We have seen citizen groups get together with flashlights and bullhorns and slickers out at night patrolling the streets, harassing the drug dealers, doing this probably with the cooperation of the police. I think America is much more in a fighting back mood and that is a very good thing. If we keep our efforts up, we will get there.

A final note—we are pleased with the efforts of all our colleagues in the federal government that work with us. We were very happy with the results we got on Strategy I and Strategy II as a document and we are now happy with the coordination of efforts at the federal level. I might just mention that I am now spending more and more of my time going out to the states, addressing state legislatures; I was in Texas last week, I will be in Minnesota tomorrow. And I am going to various state legislatures, urging those states to take on the actions they have to take up.

Thank you for the opportunity to appear before you.

[The prepared statement of William Bennett follows:]

STATEMENT BY WILLIAM J. BENNETT
DIRECTOR, OFFICE OF NATIONAL DRUG CONTROL POLICY
BEFORE THE
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES
MARCH 20, 1990

Ladies and gentlemen, when I took up my duties just over a year ago, I said that although America had to win this war, it was by no means certain that we would win it. My view has changed.

The war is by no means over, but it is clearly winnable and the momentum is shifting our way. Indeed, while there is still too much bad news, there are scattered but clear signs that we are beginning to win, the scourge is beginning to pass. If we keep up our efforts, we are going to win.

We are making progress every day: Drug use is down, drug arrests are up, drug seizures are up, seizures of traffickers' and dealers' assets are up.

There is something else as well. A year ago, if you had asked for a comprehensive picture of national drug policy, you had to go to over 30 different agencies. Not anymore. The President has encouraged and supported me as I have worked to fashion the efforts of thousands of dedicated people into a complementary and comprehensive whole. Mostly, our decisions have been easily reached, but when we failed to agree, the President has stepped forward to make the tough calls.

Not only are we working more smoothly internally, but -- occasional misunderstandings notwithstanding -- we have now found more common ground with more foreign nations than ever before.

And we're putting money behind all this. If the Congress enacts this Strategy as is, total Federal spending on anti-drug efforts will have increased by 69 percent since President Bush took office one year and 2 months ago. For FY 1991 the President is seeking $10.6 billion in drug-related budget authority -- a $1.1 billion (or 12%) increase over FY 1990.

Actual spending -- budget outlays -- for FY 1991 will increase by $2.8 billion (or 41%) over FY 1990.

Perhaps the most important progress is in an area more difficult to quantify -- the attitudes of our citizens. But it is real -- I have been there and I have seen it. In the past six months I have visited nearly 50 cities and towns and I can assure you that all across the country Americans are saying that they will no longer tolerate the use of illegal drugs -- not at home, not at work, not in their neighborhoods. They are banding together with their neighbors and, working with the police, they are standing up to the dealers and users and telling them to move on. They are now on offense and the drug dealers and drug users are on defense.

Attitudes are hardest and, consequently, progress is most impressive in some of the toughest places: in North Tulsa and South Dallas, in South Seattle and in scores of cities across the country. These neighborhoods are the front line in the drug war, and I can tell you that it is these neighborhoods which are no longer giving up ground to the enemy. The line has been drawn; the worst is over. We aren't there yet; in some places we are years away, but we know where we're going and we know how to get there.

The President's second National Drug Control Strategy elaborates and builds upon the philosophy set forth in the first. We will educate and dissuade our citizens away from using drugs; we will get more drug addicts into more effective treatment programs; we will reduce the supply and availability of drugs on our streets and dismantle the trafficking organizations through tough law enforcement and interdiction measures; and we will strengthen the efforts of source countries to stem violence and economic dislocation caused by the international drug trade.

There are several new initiatives in this Strategy which I would like to highlight. In the criminal justice system, we will seek to expand the resources of Federal agencies who conduct investigations to disrupt and dismantle drug trafficking organizations. We will seek to broaden the death penalty for certain drug crimes, not simply to deter other drug criminals but to administer just punishment upon those who are wreaking havoc upon our society. We will seek funding increases and launch several new initiatives in treatment, prevention, and education. We will create a National Drug Intelligence Center within the Department of Justice to provide a comprehensive intelligence picture of the drug trafficking organizations. Finally, we will seek to strengthen the efforts of courageous leaders like President Barco in Colombia through a $206 million increase in our assistance to the Andean nations. In summary, this Strategy offers more detail on more programs than the Federal government has ever before undertaken.

Mr. Chairman, nothing we have learned in the last twelve months has led us to change our view that a comprehensive effort putting pressure on every point of the spectrum is required. As we said last September, there is no "magic bullet," no one simple solution to the drug problem. We must continue to press on all fronts. As I have said in the nearly 20 times that I have testified before Congress, we're going to keep the pressure on and, as the President promised, we are going to end this scourge.

Thank you.

FEDERAL COODINATION

Mr. ROYBAL. Thank you, Mr. Bennett. May I say first of all, that I believe that there has been a change in attitude; that people are getting mad. Those people who are not addicts and those people who are not users are the ones that are getting mad. But what about the federal government? How mad are we? Are the various departments actually mad enough to get behind you and work with you to do everything possible to make your job a success? Or is this matter still on the surface and is very little being done in that particular direction?

Mr. BENNETT. No, as I said I am very pleased with the degree of cooperation we have had. We have some 56 different departments or agencies working with us The existence of our office takes some getting used to, it takes some getting used to for us, it takes some getting used to for our colleagues. But we are getting used to this curve, and I think we are seeing this kind of effort.

If anything, we are seeing more and more people in the federal government raising their hands, Mr. Chairman, and saying can we do more, can we get into this fight, too; is this a private fight or can anyone get in on it. There are more and more people interested in identifying their agency, their work, their department with this effort. That means we have got more obligation and more time to sort things out and sort responsibilities out. But in general, I am very pleased with it.

Mr. ROYBAL. Mr. Bennett, I asked that question because I am very much concerned about the fact that at least it appears that some of these agencies are not giving the full authority to back you. And I make reference to the administration's proposed cut in the U.S. Customs Service by over 300 positions in 1991. Customs is one of the front line agencies in drug interdiction in the country. And if that is so, is not that an indication that that department's capability will be weakened by reducing personnel?

AUO RESPONSE

Mr. BENNETT. This issue has come up; I have asked Mr. Carnes to prepare on this, to give you the details of this, Mr. Chairman.

Mr. CARNES. Mr. Chairman, I would say that ONDCP, in the course of the development of the President's budget, was adamant about assuring that adequate resources were available for drug-related expenses in every agency. And the Customs Service and a number of other agencies that are involved in the drug war do have missions beyond the drug mission. Our only objective is to assure the adequacy of resources for the drug mission. The President's budget submission assures that those resources are there for the drug mission.

As to other missions in those agencies, we are aware of the fact that there are absorptions that are required because of AUO, administrative uncontrollable overtime, the pay raise, health benefits and the like, and we have been working on these issues with Secretary Brady. Director Bennett has talked to Secretary Brady about this. The two of them have arrived at an agreement whereby we would be willing to entertain ways in which conceivably some of our assets, special asset forfeiture funds, could be used for these kinds of infrastructure costs in Treasury agencies that are related to the drug mission.

At this point, Treasury and Justice were treated slightly different in the President's budget by OMB. So, the particular issue that you raise is one that is primarily confined to the Treasury Department, or at least their situation is more difficult than it is in the Justice Department.

As I say, we are now working with their staff; we have met with their staff to ascertain what the costs would be for the drug-related portions of AUO which is, in fact, most of their agents are drug agents and so most of that AUO cost would be part of the drug mission. So we are working with them to come up with numbers. We thought we might have those numbers to give you today; they are still crunching some numbers back at Treasury.

Mr. **Roybal.** Mr. Carnes, what will that do to the attitude that Mr. Bennett's been talking about, that the people are mad and they are doing all kinds of things to try to be helpful and then they find out that the leading agency in the interdiction of narcotics is being reduced in personnel?

Now, the response has been yes, but the people that are involved with the interdiction of narcotics are not being reduced. The rest of the services is being weakened, and these criminals who bring narcotics in, they look for the weak link. They are not going to go just for the strong points, they are going to go for the weak.

Now, that has already been demonstrated when we took agents from cities like New York and Los Angeles and put them in Florida. Those who traffic in narcotics did not come through Florida, they went through the weak link—they went through New York and came through Los Angeles. So we started to have more of a problem in Los Angeles than we had before. The same thing is true in New York. I predict that the same thing can happen here, because there is a weakness in the Customs Services.

An over 300 reductions in a department such as this is a large reduction.

Mr. **Carnes.** Two quick responses, Mr. Chairman. Number one, there would be no reduction in any part of that department that was drug-related. That is the first thing. So as far as narcotics are concerned, there is no reduction there.

Mr. **Roybal.** Should not there be an increase instead of keeping the status quo if the problem is so great?

MORE DRUG AGENTS IN FISCAL 91

Mr. **Carnes.** There is an increase in drug agents in the drug war for fiscal 1991. So the drug resources are protected, and they are increased. There is not going to be any reduction in narcotics-related resources. In fact, there is an increase.

The second point I would make is that insofar as infrastructure costs, infrastructure issues impinge on this, as I said a moment ago, we are working with them to come up with a way to support those costs in addition beyond the drug-related agencies.

Mr. **Walters.** I think it is important to emphasize that we are protecting the drug-related resources. We are also recognizing that there is going to be a distortion in some of these other functions, and we are working with Treasury to try to minimize the distortion. And thirdly, with the cross-designation proposal that we advanced with the DEA, you will get 1000 more drug investigators cross-designated from Customs through the DEA to put on the street. So not only are there increases in Customs, but there are 1000 additional investigators.

Mr. **Roybal**. But you are taking it from another department that also deals with the interdiction of narcotics. So what you are doing is that you are still weakening those links and you are making it possible for these narcotics to continue to come into the United States, and continue to do all the damage they are doing.

The mere fact that you are putting all these agents or you are not reducing agents in drug-related work, I say that that is commendable. But I think you should be increasing the agents, not keeping the status quo.

The other thing is that I believe that by making this recommendation you are sending a message to those people who are mad and telling them do not be so mad, because we do not really care. I think that is the message that these people are getting throughout the United States. And I think that that is wrong.

Mr. **Bennett**. There is a net increase.

Mr. **Carnes**. There is a net increase of 6000 drug personnel in the fiscal 1991 budget, from 47,000 people to 53,500 people.

Mr. **Roybal**. Where did those 6000 come from? What departments were weakened? You must have taken that from somewhere.

Mr. **Carnes**. That is not correct. They are going to be new hires in agencies like DEA, FBI, throughout the Justice Department, in the Department of Treasury. There are new resources and additional people in INF and these are add-ons. As to the reduction, as I say, that was confined largely to the Treasury agents in non-drug-related areas. And as I said before, we are working with the Treasury Department to assure that that does not happen.

Mr. **Roybal**. All right. Your contention is that that reduction is not going to hurt anything.

But you are still working with them to be sure that there is no damage done. So somewhere down the line, you must be thinking as I am at least, that that reduction is going to hurt, and that you are doing everything you possibly can to prevent it from hurting.

Mr. **Carnes**. Correct.

Mr. **Roybal**. All right. But again, the question was, is that the right message to send to these people who are mad about this thing, who are trying to do something about it? I think not. I think that it is the wrong message to send.

Mr. **Bennett**. I think when you are sending a message that because of the priority of the drug war you are going to be adding more people to the effort and you are looking about at various agencies and departments to see if some other efforts not related to drugs might sacrifice a little bit in order that the drug effort can be strengthened. I do not think that sends a bad message. I think that sends exactly the right message about the high priority.

Again, it is a net increase. It is a significant increase—over 10 percent.

Mr. **Roybal**. Mr. Bennett, here is an agency that is supposed to be the front line agency in the interdiction of narcotics.

Mr. **Bennett**. Which agency are we talking about?

Mr. **Roybal**. Is not Customs supposed to be that?

Mr. **Bennett**. Yes.

Mr. **Roybal**. All right. Then why are we cutting it?

Mr. **Bennett**. Well, there is a net increase, is that not right, Bruce?

Mr. **Carnes**. That is correct.

Mr. **Bennett**. In Customs agents dedicated to drugs.

Mr. **Roybal**. But you are cutting the overall personnel by 314 in fiscal year 1991. I can not understand how this can be done and still increase the drug enforcement. You have to take them from somewhere, therefore you are taking them from the same department, and you are weakening somehow, some way, that department in question.

Mr. **Bennett**. Can you go through it again, Bruce, the exact numbers?

Mr. **Carnes**. Yes, sir. There are over 100 new drug agents in the Customs Service in the fiscal 1991 budget, net change in drug agents. Over 100.

Mr. **Roybal**. Now, those 100 were part of that 314 that were being reduced. The customs budget shows a reduction of 162 investigations agents and 105 investigators/patrol officers.

Mr. **Carnes**. Treasury's original budget submission, which we did not review and which we are not responsible for, indicated that in order to absorb certain mandatory costs, they were going to take reductions in non-drug- related areas. Since that submission has come to the Congress, we have been working with the Treasury Department to offset those losses with our Special Forfeiture Fund so that they will not have to make those cuts in personnel.

If we are able to pick up sizeable portions of the AUO costs, the pay raise, the health benefits and other mandatory costs, those net reductions will not occur.

Mr. **Roybal**. Yes, but you will have to take that amount of money, whatever it is, from somewhere.

Mr. **Carnes**. That is correct.

Mr. **Roybal**. Where are you going to be reducing?

Mr. **Bennett**. Somewhere. But it does not necessarily mean the drug efforts. And the way we are proposing it, it will not be from the drug effort at all.

Mr. **Carnes**. Right.

Mr. **Roybal**. What about the special forfeiture fund? Can that be used legally for overtime pay?

Mr. **Carnes**. The statute that governs the Special Forfeiture Fund says that it can be used for any purpose related to the national drug control strategy.

Mr. **Roybal**. And you are going to use it?

Mr. **Carnes**. Yes, sir. Secretary Brady has testified to that effect, as has Director Bennett.

Mr. **Roybal**. So there is some hope, then, that we will see full funding and the personnel needed for narcotics and the interdiction of narcotics.

Mr. **Carnes**. Yes, sir.

Mr. **Roybal**. It is very hard to understand how you can have all of this and still reduce it by 314. You know, the bottom line is the only thing that I can see, and it just does not add up right. We will insert the customs budget submission on personal in the record at this point.

[The information follows:]

United States Customs Service, Salaries and Expenses

DETAIL OF PERMANENT POSITIONS BY CATEGORY
(Number of Full Time Equivalent Positions)

Customs Programs	Actual 1989	Estimated 1990	Estimated 1991	Increases/Decreases for 1991 Total Changes	Increases/Decreases for 1991 Program Changes	Increases/Decreases for 1991 Other
Inspectors	5,059	5,447	5,524	77	77	0
I&C Program Support (Includes Aides)	820	992	962	(30)	5	(35)
Import Specialists	1,094	1,104	1,084	(20)	(20)	0
Laboratory	108	114	112	(2)	(2)	0
T&T Program Support (Includes Entry Clerks)	1,887	1,780	1,694	(86)	(23)	(63)
Investigations Agents	1,808	1,373	1,211	(162)	(142)	(20)
Investigations Program Support	309	306	363	57	(4)	61
Aviation Interdiction Support	742	876	854	(22)	(82)	60
Investigators/Patrol Officers	991	1,116	1,011	(105)	(105)	0
TI Program Support	73	117	115	(2)	(2)	0
Intelligence Employees	364	275	269	(6)	(6)	0
Internal Affairs Employees	254	265	281	16	16	0
Enforcement Support	345	332	326	(6)	(6)	0
Operational Support	1,016	901	895	(6)	(6)	0
Executive Direction & Control	1,036	839	824	(15)	(15)	0
Chief and Regional Counsel	115	106	104	(2)	(2)	0
Subtotal	16,021	15,943	15,629	(314)	(317)	3
Part-time and Temporary Full Time Equivalent Positions	685	720	720	0	0	0
Total Full Time Equivalent Positions	16,706	16,663	16,349	(314)	(317)	3

1/29/90

Mr. **Carnes**. Well, that 314 will not be there after we have worked with Treasury to pick up those costs.

Mr. **Roybal**. After you do something else, then it will be all right.

Mr. **Carnes**. Well, I do not think you are going to weaken something else, it will still be drug-related missions.

Mr. **Roybal**. Okay. Mr. Skeen.

Mr. **Skeen**. Thank you, Mr. Chairman. Mr. Bennett, Mr. Walters and Mr. Carnes, good to see you.

I want to begin by commending you for the transition period that you have gone through. It has been a very difficult one, I am sure, but you have exhibited, a great deal of energy and incisiveness and you have gone to work from day one and it has not been an easy process.

I particularly want to commend you for the efforts that you have illustrated in designating the high intensity drug trafficking areas, particularly along the southwest border. You spent some time on the Texas-New Mexico-Mexico border and I think that the attitude as you said is very good. Because in these low population areas where we had a great deal of trafficking going on, they were a crossroads. I think that we are just a sideline in the drug war because we do not have people, a presence. But we do. I think you are recognizing that. What does it mean when you designate these areas, insofar as funding is concerned, as a high intensity drug area?

HIGH INTENSITY DRUG TRAFFICKING AREAS

Mr. **Bennett**. Well, it means $50 million in fiscal 1990.

Mr. **Skeen**. You have $50 million allocated for that.

Mr. **Bennett**. The main thing I think, and the main misunderstanding about it, Mr. Skeen, that we have had to deal with is that people say: "Is this the total amount of money that is going to be used to fight drugs in this part of the country?" The answer to that is no.

This is something additional, something extra. And it is specifically targeted. It is targeted at the major drug trafficking organizations in this part of the country, the southwest border, Houston, Los Angeles, Miami, New York.

And the task here is to, with this ever increasing army of federal recruits and sergeants and majors—this federal army out there to go after the criminal organizations, to go after their assets, to go after their leadership and to disrupt and dismantle. They are centers of activity and we plan to target them as centers of criminal activity.

Mr. **Walters**. Maybe we should also add that in addition to the $25 million designated this year and the $50 million requested for next year there are additional enforcement resources that will go to these areas in terms of personnel, coverage by the OCDETF task forces, and additional personnel in individual agencies that are already requested—Customs Service, INS, DEA—that will also be applied to these areas.

In addition to those specific monies that would be added on, the federal enforcement presence in general would be increased in these areas.

Mr. **Skeen**. Money is not the total answer in this thing by far. Because we have this terrible habit amongst agencies that operate in the field, that you come up with a figure over here, we want to know what our share is going to be or what our part of it is, and so it is magnified a great deal more importantly or in a wider area than just the funding target that is here.

Mr. **Bennett**. That is exactly right. And of course this number does not count all the other various accounts in the federal government that end up generating money to the staff—the DJA, the education and treatment programs.

Mr. **Skeen**. Let me ask you what is happening in your discussions on the Justice part of it, the prosecutorial and the judges—we are having a very difficult time now in border areas because what has happened is the prosecution load has been shifted off to the federal sector. The state courts do not want to handle it, they do not have the personnel; we do not have it on the federal level. We need more judges and we need prosecutors and we need more help in that area. What is the plan?

MORE JUDICIAL RESOURCES

Mr. **Bennett**. Well, as you know the plan at the federal level is to buy more prosecutors as we bought more prisons. We are buying more prisons, we need to buy more prosecutors, buy more U.S. Attorneys and buy more court personnel. That is just something we have to do.

Mr. **Skeen**. I do not know whether I would use that term "buy."

Mr. **Bennett**. Pay for. At the prices we offer, you would not get anybody who was interested in making serious money anyway, and you know that.

But we have got to do it. We have to increase the capacity of the federal system. But the states have to increase their capacity, too. One of the worrisome things is that states may come to rely on the federal system both thinking that the federal system is the place to bring their cases and there is no need to change their state laws because federal law is sufficient. That will not work.

Mr. **Skeen**. I think you are absolutely correct, and that is also what is taking place at the present time.

Mr. **Bennett**. It is interesting, too, that there is a kick in here for the state that decides to do this. States will soon recognize that drug dealers understand that a burdened federal system will not be sufficient to the task, and to put it briefly, states that have weak laws and do not strengthen their state laws are going to find themselves with a lot more drug business. They are going to find themselves with a lot more traffic.

Mr. **Skeen**. There is an attraction for it?

Mr. **Bennett**. Yes. They stop it. Over time, the number of drug dealers you have in an area will increase inversely proportional to the strength of your anti-drug effort. Is that right? Inverse proportion.

I was in Oregon, and this is not me saying it, this was a representative of local government in Oregon—look, there is a lot of granola thinking out here. He said we are still not sure whether these things are bad. And the harder that Darryl Gates, the Chief of Police in Los Angeles, presses down on drug traffickers, the more they head up Interstate 5 to Oregon, where they know a large part of the legislature is undecided whether intoxication by drugs is a good thing or a bad thing. And as long as that confusion reigns, they are going to have real problems.

Now, the responsible people in Oregon, Democrats, Republicans, both, are stepping up to this and saying, my gosh—Portland—350,000 people, has become one of the six or seven major criminal drug trafficking centers in the country. And some of it has to do with the laxness of the approach.

On the other hand, because Texas has been exceedingly aggressive on this issue—if anybody doubts that, all they have to do is look at the debates in the primaries, both parties. I was probably the kindest, gentlest person to speak at a podium in Texas in the last four months.

Mr. SKEEN. They have a campaign going there.

Mr. BENNETT. Yes, I know. The rhetoric and the proposals are pretty intense down there. But it also matches a lot of the action that is being taken. As a result, it is having, so we are informed, a real effect on drug trafficking in Texas and now some of the drug traffickers have decided to make Oklahoma or Arizona their base, or New Mexico, rather than Texas because Texas is becoming increasingly inhospitable.

It is a very interesting sort of lesson here in all this, which is the harder you bear down, the more likely the people you bear down on will move to someplace that is more congenial.

Mr. SKEEN. Well, you have had historic reference to that before, because the task force efforts that we have had in the southeast, then they moved to the southwest, and so they do not lack for ingenuity and they do not lack for mobility and technology and all the rest of it. That is a tough war.

Mr. BENNETT. That is right. But the lesson is simple. There is not brain surgery required to understand it. They do not like the heat. And if you put heat on them, they move.

Mr. SKEEN. It goes at every level, and one of the ones that we seem to ignore in this is the judicial system. It is overloaded and overtaxed. And I am concerned that if we do a better job of interdiction, if we do a better job of shutting down the demand side and so forth, we may lose it in the prosecutorial end and the judicial system, and that concerns me.

Mr. CARNES. We are supporting 75 additional federal judgeships in 1991.

ALLOCATION OF THE SPECIAL FORFEITURE FUND

Mr. SKEEN. I understand that you are, and I think that is going to be helpful. But I would also like to impress on states that they have a part in this thing, because it has been easy in the past for state courts to pass this on to the federal, by doing one thing—letting them go. If you let them go, then those who are on the enforcement side of it go to the federal courts. And that is where we have to start.

You talked about this special forfeiture fund, and that bothers me. We seem to be holding this up as some kind of panacea for not doing responsible funding. And I know it is there, and I know we do not want to raise taxes; it is another source of funding and so on. And you have got a deal going between you and the Treasury Department to alleviate the absorption of administrative and other uncontrollable overtime costs. This is something that bothers me. How much money are we talking about? And how will it be calculated? How would we distribute it and so forth?

Mr. **Carnes**. What the Treasury Department is doing right now is looking at that portion of their effort that is drug related, the various portions and various agencies of Treasury that are drug-related, and they are developing a budget for us that shows the drug-related costs for AUO——

Mr. **Skeen**. What is AUO?

Mr. **Carnes**. That is the administrative uncontrollable overtime.

Mr. **Skeen**. Thank you.

Mr. **Carnes**. And a couple of other items like that. We do not have the numbers from them yet. I am going to guess it is going to be—well, I hate to hazard a guess, but it is certainly going to be less than $50 million. And as I said, I expected to have it today, they have not finished running their numbers. When they do, we will be happy to brief the committee, on what those numbers are or go over them with the committee staff to insure that everybody understands exactly how those numbers were derived, what we need, and what the consequences are to other activities if someone were to go ahead and use the Special Forfeiture Fund for that purpose.

But anyway, we hope to have it up here next week if that would be the committee's pleasure.

Mr. **Skeen**. The only thing that bothers me is the designation of which agencies are going to benefit from any part of this calculation and how you will distribute or contribute to this thing from this fund that we do not know really what it is producing. But as you say, we would like to know what those figures look like.

Mr. **Carnes**. As a general matter, the area where this has the greatest affect is in the Treasury Department. And that is because of the way the Treasury Department is managed—their accounts are managed at one shop in OMB and the Justice accounts are managed some place else. And they did not hook up, and the Treasury Department got treated differently from the Justice Department.

Mr. **Skeen**. They were the first stop of opportunity.

Mr. **Carnes**. That is right. And they were required to eat more of those costs than Justice.

Mr. **Skeen**. I see. But then the idea is to be as equitable as you can.

Mr. **Carnes**. That is correct.

AEROSTATS/SOUTHWEST BORDER

Mr. **Skeen**. There has been a great deal of criticism about the aerostat program. What is your assessment of how ineffective or effective has it been? There is an awful lot of money attributed to that.

Mr. **Bennett**. Yes, I will ask John to comment on it. My own experience with it is—the criticisms are that sometimes it is ineffective, and we do not get everything that we should. No one of these efforts, no one of these measures is perfect or perfectly effective. But I think that, viewed in conjunction with all the other things we are doing, it is a sensible and worthwhile part of the operation.

Mr. **Carnes**. We asked early on—because we have been around enough to hear that there were criticisms of the program—a variety of people about the effectiveness of the aerostat program, aside from not wanting to rely on any one leg. We went to the military because people who made the criticism usually said we have very high tech military equipment and they would not use this kind of a detection monitoring system. In fact, the military likes the aerostat very much as a component; but one, we have to complete the aerostat net; two, we have to be able to kind of fill in when aerostats are down for maintenance or until we complete the net; and three, there are gaps in areas where we can deploy aerostats, obviously we are not going to put them around the entire continental boundary of the United States, Hawaii and Alaska. So we need to be able to have movable assets, airborne and sea and land.

Mr. **Skeen**. Seaborne.

Mr. **Carnes**. And detection and monitoring equipment. But for the cost, the cost efficiency of what you are getting with the aerostat by all accounts that we have seen is good. It is not the total answer, and by moving the Defense Department more actively in this area, by increasing some of the patrolling and resources and response capability of the Customs Service and the Coast Guard, and bringing them under a combined organization as we have as DOD has begun to take and implement its role as lead in detection and monitoring, we will get this net up and running. It is better today than it was a year ago, it will be better when we get the rest of the aerostats deployed.

Mr. **Skeen**. Just as an observation, we can tell from the difference in the style, mode of traffic that it has become effective, just the bare fact that it is there has changed the whole complexion of the trafficking along our particular border. It has been one of the toughest areas because there is absolutely no coverage. As a matter of fact, now they are bringing stuff across on mules that used to come in airplanes. Of course they leave the mules in New Mexico. We have an overpopulation now of mules, and they take cattle back with them, which is not a bad deal. So they are very cost efficient. But it has moved the traffic to the ground.

Anyway, let me ask you a question about the National Drug Intelligence Center, this being a part of a whole new networking system. Where is this center located?

NATIONAL DRUG INTELLIGENCE CENTER

Mr. **Walters**. The actual site for the center has not been selected yet. What we have done is begun to work with the Justice Department and have begun an assessment for what is necessary to put together an interagency structure for this center. They have been working with the Treasury Department to make sure that they are particularly coordinated with FINCEN, the Financial Investigation Center that is already underway there.

Mr. **Skeen**. They will be a participant.

Mr. **Walters**. Yes. And also to find the most effective way to blend the agencies that we need to blend to have the center effective. There has been, as you know, in the past a reluctance to share information. The reason for us proposing the Center, as we explain in the strategy, is because there needs to be a better way of using the largest source of drug-related intelligence we have which is in law enforcement and to bring that together to get a strategic picture of what is happening. There are various strategic analyses that go on now but there is no comprehensive picture, and to get that comprehensive picture we have to have sources and information in multiple agencies.

We have, we think, made a breakthrough in the proposal of this center in that the agencies support the concept. They now understand the need. They were always a little bit concerned about how information would be handled. We are setting up that structure now. We expect to have more details in a short time and we are prepared to brief your committee staff and others on the Hill that have expressed an interest as soon as that material is together, which I expect to be a week or two.

Mr. **Skeen**. Well, maybe it is a very sensitive informational area that you would rather not talk about; if so, say so. But I think it is probably the foremost lead insofar as finally unifying and coordinating the effort in this thing. We have not had it heretofore, and I do not understand how we could ever operate without some kind of combined effort. I am very curious as to how it is coming together. I appreciate the response.

Let me ask this last question. In the first award of the drug elimination program grants by the Department of Housing and Urban Development, we note that about one-third of the recipients were public housing authorities in New York, New Jersey and Connecticut, while only 2 of the 27 awardees were located west of the Mississippi, 1 in Oklahoma and 1 in California. We are a little concerned about the reflection of a regional bias that is inherent in the National Drug Control strategy. If this is not so, would you give us some explanation of how this was done and why it came out that way? I am sure the population impact is probably one of the foremost factors.

Mr. **Bennett**. I do not know. I will need to get back to you. We do not make those decisions.

Mr. **Skeen**. Who does?

Mr. **Carnes**. HUD. We will look into it.

Mr. **Skeen**. Let us go investigate HUD—everybody else has.

I thank you for your responses and thank you, Mr. Chairman, for the time.

Mr. **Roybal**. Thank you. Mr. Akaka.

Mr. **Akaka**. Thank you very much, Mr. Chairman. Mr. Bennett, welcome. Mr. Walters and Mr. Carnes, welcome to the committee.

I am concerned about the problem of ice and the problem of ice in Hawaii and for our country. Crystal meth, or ice as it is referred to on the streets, has wreaked havoc in Hawaii for the last couple of years. Ice is a crystal form of speed. Though both crack and ice can be smoked, that is where the similarity ends. In contrast to crack which lasts 30 minutes, ice lasts for hours. According to the National Institute on Drug Abuse, an ice high lasts 7 to 30 hours.

The number of people willing to smoke this drug is far higher than the number who are willing to put a needle into their bodies. What is worse, ice is cheap and long lasting. Just $50 will buy enough of the drug to keep someone high for up to a week, and with this, many of them do not sleep.

Crystal meth is one of the most addictive drugs on the street. It is cheap and one hit can produce a high that lasts all day. When the high finally begins to subside, law enforcement and health professionals report that addicts are prone to extreme uncontrolled violence.

Mr. Bennett, Hawaii is on fire with ice. I have seen both your national drug control strategy reports, but I do not find any serious strategy to address the growing threat of crystal meth. So my question to you on that is, what kind of attention is the federal government giving to ice and where does it fit into your national drug control strategy?

ICE PROBLEM IN HAWAII

Mr. **Bennett**. Yes, sir. Thank you. It does of course merit our attention, given the nature of ice itself, as you have eloquently described it. It has been on our minds for some time, since the first early sightings of it. It is interesting to note, I am sure you have noted it, that despite predictions about the dramatic spread of ice, we have not seen that happen or perhaps I should say we have not seen that happen yet, hopefully yet is not correct.

Most of the national drug control strategy is not drug specific. That is, the efforts that we propose to undertake on the law enforcement, treatment, intervention, education sides are efforts we would undertake against any illegal drug, ice included. That is one thing.

Second, since hearing about ice and in particular the ice problem in Hawaii, I sent my Deputy Director, Dr. Kleber, to Hawaii for a week to take a look at the problem. We have a DEA team—Operation Stride, I think is the name of the group—studying the problem in Hawaii and a NIDA, National Institute on Drug Abuse, group doing an assessment of the epidemiology of it.

This is about what we think we ought to do; that is, use the entire arsenal at our disposal, law enforcement through prevention, education and treatment, and again take qualified relief in the fact that there seems to be much less spread of the drug than we had anticipated.

A lot of people are interested in it or looking for it, but it does not seem to have spread so far. The fact that it is relatively isolated does not diminish its significance or impact on the population, as you well know. If we can keep it contained and then gradually shrink it, that would be the right strategy, the right tactic, and that is what we are trying to do.

Mr. **Walters**. It might be worth adding that as you no doubt know, Congressman, the DEA has increased its enforcement efforts, not only in Hawaii but in regard to precursor chemicals for ice, many of which are known to come from the Far East. And they have had a number of successes working with governments in the Far East to interdict and to go after organizations shipping those chemicals. Those liaison relationships and that cooperation is expanding and offers one way to get at the things that are used to produce this drug.

Mr. AKAKA. You mentioned in your reports back from Dr. Cleaver that it has not spread as much as you thought it would. And I would like to point at what we might call the tip of the iceberg, that what is happening in Hawaii can certainly, maybe not presently, but in the future really spread out. Hawaii I think is really the tip of the iceberg on this problem.

We have a chance right now to get ahead of this curve and not make the mistake that we made in dealing with the rise of crack several years ago. But if we wait, the problem will mushroom out of control and I am sure you share that concern.

Mr. Bennett, I look at ice like I look at cancer. We can treat it when it is small or we can let it grow and not find a cure for it at all and not have any hope for it. Legal and medical experts fear that the ice epidemic in Hawaii foreshadows a much larger and potentially dangerous epidemic on the mainland.

In case there is any question about whether ice addiction has become an epidemic, the drug abuse ~~warning~~ network has detected 70 percent increase in the number of people addicted to this drug. Worse yet, there is a lot of poly-drug use with ice. Abusers get real wired smoking ice, then they use other drugs to come down with their high because it lasts so long.

Mr. Bennett, why won't you address this problem by making Hawaii a high intensity drug trafficking area? Let me put it this way—being penny wise and pound foolish. If you spend a little bit of time and get some results in this problem today, the payoff would be huge. We could lick this menace before the ice epidemic gets out of control.

You have been critical of the statements that ice may be the drug crisis of the 1990s because of the fear of creating a self- fulfilling prophecy. I see things differently. I say if we do not pay attention to ice now, we are hiding behind the problem. I am disturbed by statements I hear which soft-pedal the extent of the crystal meth problem. For example, at a January press conference, you stated, and I quote, "We are seeing ~~a lot~~ more talk about ice than actual use."

Mr. Bennett, you have I feel greatly underestimated the scope of this problem. Even the youngest recruit on the Honolulu police department can tell you that. We have got a crisis on our hands, and I think you are ignoring a serious problem within our borders. As I read your drug control report, all five high intensity drug trafficking areas were selected because of their role in international drug smuggling. According to your report, Houston and Los Angeles were chosen because they are transshipment points for heroin, cocaine and marijuana, Miami and New York City because they are import centers, and the southwest borders are a major corridor for drugs.

Crystal meth is a different menace. Unlike cocaine or heroin, there is no foreign crop to interdict at our borders. Crystal meth and other forms of this drug are entirely synthetic and do not require any imported ingredients. And it is simple to produce.

Mr. Bennett, again I say I think you are making a mistake putting all your eggs in one basket in the 1990s. Most drugs used in America would easily bear the label "Made in America." Ice factories have already shown up on the mainland and you need to address this problem now. I hope that in your future strategy reports there can be an address of this problem that would be able to help Hawaii with its problem and the rest of the country.

FEDERAL RESPONSE TO ICE

Mr. **Bennett**. Well, Mr. Akaka, I take your concerns seriously; I wish you would take my concerns seriously as well. I do not diminish or belittle the importance of it, but I also see no reason not to be pleased that many of the predictions that ice would overwhelm the mainland have not come true. That is a good thing; it is not a bad thing. That does not mean there is not a serious problem in Hawaii; there is.

But while taking it seriously, it does not seem to be incumbent upon me to advertise for it, as has been done by a lot of the media. They have got their rights to free speech, but when you see blaring headlines, ice high three times better than crack; also helps in weight loss, I do not think this is particularly helpful. As I have said, I think this kind of advertising is only going to encourage people to experiment and to try it.

So where we do not have a spread, I think that is a good thing. We are not ignoring the problem in Hawaii. I mentioned the things that are going on. Our weapons are the weapons we have against other drugs: state and local law enforcement, prevention efforts, education efforts—and I would note that Hawaii has received approximately a 120 percent increase in the various block grant programs, which is a good thing.

We are very concerned about it. But I do not think that our concern has to translate into misrepresenting the facts. We should be glad that, as it seems to us, the general disposition of the American people against the use of illegal drugs of all sorts also extends to ice, and again that is a good thing, not a bad thing. If there are other specific kinds of approaches or tactics that you think we need to take, other than strengthening law enforcement, strengthening treatment, strengthening education, strengthening the effort against the precursor chemicals, we would certainly welcome your advice and take it seriously.

Mr. **Akaka**. My plea is that you address the ice problem and we would certainly appreciate a response.

Mr. **Bennett**. Thank you, sir.

Mr. **Akaka**. Thank you, Mr. Chairman.

Mr. **Roybal**. Mr. Lowery.

Mr. **Lowery**. Mr. Chairman, Mr. Bennett, we are delighted to have you here with us today.

Mr. **Bennett**. Thank you.

Mr. **Lowery**. I agree that a lot of progress has been made this year, but it truly is on the demand side that we are going to see a victory and that is where it is going to have to come from. That does not mean we let up our guard on the supply side, but we are starting to see some progress for the long term.

I also want to thank you and your Associate Director, Judge Walton, for the interest you have shown in first hand coming to the southwest border, the San Diego region, and the knowledge which you gained. And I agree with you; I think there is all too often a tendency on behalf of some in local and state government, let the feds carry us on this one. It is just too vast a problem and it is too expensive. And it is something we all have to make a commitment to. And certainly this administration has made a financial one.

My first question involves office operations and administration. How would you describe this second year from an administrative standpoint? Specifically what improvements will the $4.5 million increase in salaries and expenses give you?

FIRST YEAR IMPRESSIONS AS DRUG DIRECTOR

Mr. **Bennett**. It has gotten better. It is a lot easier for us, this second year, Mr. Lowery. The reason is, we did not have to, in the second year, both figure out what a strategy would look like, be hiring a staff, try to find a place to settle and do all those things you have to do for the first time.

We have got a staff, we have got a senior staff, we have got all our deputies in place. We have got the division of responsibility in our own office, and that has helped considerably. The first strategy was harder to write than the second strategy, because once having written the first strategy, we received all the comments on it and again large agreement about the general outline. The second strategy required perhaps more detailed analysis but did not require an examination of fundamental principles.

The $4.5 million, Bruce will comment on because I would like to be as specific as possible on that. In general, let me say I think the office is operating pretty smoothly. It is enabling me to get out and around the country, welcome or not.

Mr. **Lowery**. You are welcome in San Diego.

Mr. **Bennett**. In some people's opinions, not in others. Every time we go out there to sing the praises of something good going on, we get punished for it by local officials. But that is all right. We will keep coming back, because there are a lot of good things going on in the city and in the county, despite the misrepresentations of local officials of our degree of commitment. We are going to keep coming back.

Mr. **Carnes**. Mr. Lowery, principally the increase for ONDCP will be a personnel-related increase. We are asking for 9 additional FTE, full time equivalent positions, over the 1990 level, and we are also seeking to put onto our rolls a number of individuals that we have had on various kinds of details during the past year.

I would also make this point, which is that through much of fiscal 1990 so far we have not been operating at full strength. And what our 1991 figures shows—our 1991 figure is based on a projection that ONDCP will be fully staffed for the entire year. So largely what it does is annualize the costs that we had in 1990 for personnel, principally other compensation, related to salary and benefits, as well as travel costs now that we have got all three deputies on board in addition to the director. And it involves a great deal of travel back and forth. That is principally it.

Mr. **Lowery**. Let me ask how your structure is set up as part of the Executive Office of the President. Is that the way it should be set up or should the Office of National Drug Control Policy be independent? Are there advantages to being part of the Executive Office of the President?

Mr. **Bennett**. Sure. One of the main advantages is easy access to the President, Director of OMB and others. I have an office in the Old Executive Office Building, very close to the west wing. I think that helps a lot in terms of paper flow. We are part of the flow of things internally that go to the President. It enables me to be in on lots of sessions and lots of meetings which I would not be if I were not regarded as a senior officer in the Executive Office of the President. I guess I am not even sure what the impact is now, because I think people have gotten use to us, but I think calling from the Executive Office of the President, corresponding with the Executive Office of the President stationary and the like, all that helps. I think it is all worthwhile.

Mr. **Lowery**. So you prefer the current relationship as opposed to an independent status.

Mr. **Bennett**. Yes, I do. I think it is good. I think a lot of people wondered, Mr. Lowery, early on whether the office as described, as intended, what it would mean? There was a lot of debate about the cabinet status and all that. What it has turned out to mean, for me, is a close working relationship with the Chief of Staff, to the President, to the Director of OMB and others and spending a lot of time with the President himself. That, I have to say, in the end is probably not a function of whether it is independent or EOP, that is probably much more a function of the President's interest in the topic, his commitment to it. But I have to say it is nice to be handy, and when you are in the White House certain things happen and certain things get done by kind of serendipity because you are there. So I think it has worked out very well.

Mr. **Lowery**. Obviously you are structured to work with so many different agencies and departments and do not have direct administrative control or responsibility over them, therefore it is the power of persuasion, power of trying to coordinate the efforts that you have to rely upon. That obviously is the force of the Office of the President.

Mr. **Bennett**. Right.

Mr. **Lowery**. In your formal testimony, you commented about coordination being better among the agencies and departments. Could you comment specifically on what several of your major successes have been, as well as what areas still need improvements in terms of the coordinated effort of the federal agencies?

Mr. **Bennett**. Well, in terms of successes, I have to say the venerable even hoary issue of—it goes back so far in time—the cross-designation authority worked out between Customs and DEA. That we actually got resolution of this has to prove something. This thing has been around for—I do not remember when this was not an issue. And we got resolution. I will tell you a very funny story. We were back and forth with DEA and Customs working on this, and they finally got it worked out. We helped, we were involved a little bit but they finally got it worked out. Then there was a question about a ceremony to signal this agreement. But DEA and Customs could not agree on where the ceremony should be, so we put the ceremony off. And the symbolic issue disappeared. It did not matter because the substantive issue had been achieved. That was terrific to do that. And there were rivalries, there were some competitions, some real concerns. But we worked that one out. I think that was one of the biggest successes.

I would say that the military, the Department of Defense, stepping up to this issue in a very serious way has been terrific. Again, this is due to the Commander in Chief, but their help has been tremendous; their involvement has been tremendous and I think that is great.

Remaining areas—I would not want to pick on any particular place as having more problems than others. They arise where they arise, and they arise because there is overlap. They arise because you have got 47,000 or 51,000 eager beavers out there. Everybody knows this is a big issue. Everybody knows this is the number one issue of the American people. It is the number one issue of the President. You get a lot of agencies and departments trying to show their stuff, show what they can do on this. And there is occasionally friction or collision. But most of it comes from an excess of commitment rather than anything else. I think generally things are pretty smooth.

NDIC PRIORITY

Mr. **Walters**. The biggest thing we have left to do from the strategy is the National Drug Intelligence Center which we need to still establish, although we have obviously planned to do that.

Mr. **Bennett**. Let me interrupt and comment on that, because that is a need, but the fact is that you now have everyone's agreement that that is a need. It is a need we have to fill and how that should be run and administered is itself in progress. A year ago you did not have that. You had some people say, look, our intelligence capacity is just fine. We do not need to improve on it. Although we got an awful lot of bits and pieces, we did not have a good strategic intelligence.

Mr. **Lowery**. What kind of agreement did we need? We need better information and a better baseline to satisfy this problem. What time table are we going to use? What hurdles do we have yet to achieve?

Mr. **Walters**. We are working with the relevant law enforcement agencies on the plan and structure of this center and then will be able to brief up here on the nature of that, and then begin a phased implementation of that intelligence operation, with appropriate liaison to all the agencies that are involved. So this next step is to go from essentially a mission and contour of who needs to be involved in carrying out that mission to a specific structure, staffing, planning time table.

Mr. **Lowery**. When will you have that?

Mr. **Walters**. We expect to have that I think in a couple of weeks.

Mr. **Carnes**. That is correct. The plan should be developed sufficiently in a couple of weeks as John said, to talk to people here, to make sure they understand it and are comfortable with it. In its initial operations in fiscal 1990, those costs would be whatever costs were associated with it in its initial fledgling phases, they could be absorbed by the various participating agencies. And in fiscal 1991, we are requesting funds for it so it can get up off the ground right off the bat in 1991.

Mr. **Lowery**. Again on this topic of intelligence, it is got to be key to our counter narcotics operations. Yet we continue to pick up rumblings that the agencies are as parochial as ever, pursuing separate agendas and showing great reluctance and suspicion to share information and data bases. How are we attacking that problem? Obviously we can do better.

We are going to have a better baseline of information once we get the intelligence center up, hopefully. Should there be more centralization? And if so, how should we structure it? What agency?

Mr. **Walters**. There are two parts of this. One is, and it is a result of where we are now. For instance, you have a national foreign intelligence community that has been collecting and writing information in this area for some time but generally it has not been charged with the principal mission. They have begun over the last couple of years to steadily increase that mission and it was part of the first strategy and subsequently they have begun to organize themselves much more effectively. The products that they are now getting from that part of our intelligence community are much better, much more thorough and much more extensive. This has been more a matter of them refining resources and moving into areas where our ability to collect and analyze has not had the resources accounting it had before.

The second part has to do with law enforcement intelligence and that is as I said earlier the place where there is the most intelligence of any place. The problem is it has not been collected or synthesized and analyzed. The National Drug Intelligence Center is the overarching structure that we are trying to create to do that.

In the interim, I think we have had a fairly good response from individual agencies beginning to work together to bring together existing intelligence products and helping us in the devising of policy. Obviously we have had to look at intelligence, as it exists now, in the formation of the first and second strategy because we had to go with what we had.

We have heard some complaining about cooperation between the law enforcement community and the national foreign intelligence community. My impression, and I work with these people every day, is that that relationship is much, much better than it has ever been before.

There is a liaison team between those two communities not only in the Central Intelligence Agency but also within the Defense Department for intelligence collection there. Now, it is not perfect, but the fact of the matter is the flow of information and the tapping in appropriate ways of the expertise and information and the sharing of that expertise and information has been, moving along at a pace that most people would have been surprised at a year ago.

The agencies are cooperating more effectively. There has always been talk of tension between law enforcement agencies, particularly DEA operating overseas, and other intelligence agencies. In the last several months, I think a relationship has been created that has largely eliminated the previous sources of friction on a day-to-day basis.

As I say, I am not a Pollyanna, but I do think that some personnel changes in those agencies and some acceptance of the mission that the President and strategy set forth has been crucial in making this movement. But the grease that makes these wheels turn more effectively is there has been a sharing of personnel and establishment of relationships and trust in what these agencies are doing, and a better understanding in the sense of team work. We want to build on that, and that is why I am more optimistic. I think we are moving in the right direction.

Mr. **Lowery**. I am sure that is an awful lot of it, just breaking down the unknown and the fear factor and developing relationships of trust. But I would also suspect that a part of it is that the foreign intelligence community and the Department of Defense are realizing that with peace breaking out in the world, they need a mission.

Mr. **Bennett**. Sure.

Mr. **Lowery**. And with the priority of Congress for funding this drug war, they seem to be far more sensitive to that becoming their mission and far more in tune to putting their resources into it. Is that not a factor as well?

Mr. **Walters**. That does not hurt.

Mr. **Lowery**. If they are going to be in business in the years ahead, they have got to be relevant. And as far as the country is concerned, the drug war is very relevant and they seem to be accepting their responsibility.

SUPPLY/DEMAND PRIORITIES

Mr. Chairman, if I may just ask one other question; you have been generous on time. I have a lot more for the record. But this whole issue of supply versus demand and how much resource we put on it—the current ratio of our supply reduction efforts to demand reduction efforts seems to be about a 70/30 basis.

There are some compelling arguments, such as the drop in the price of cocaine at the wholesale level from about $65,000 per kilo in 1981 to $15,000 today, that our supply reduction efforts have not been terribly successful. I am not by any means suggesting that we ease up on that, I think you open the floodgates when that happens.

But how did we arrive at the 70/30 split and does it make sense today? What education programs are working well in your opinion? Are there plans to expand programs such as DARE? I would like your evaluation of DARE, and how we find additional funding for the program. Some observers have criticized the involvement of law enforcement in some of the education programs in the classrooms, I would appreciate your views on that as well.

Mr. **Bennett**. Sure. The 70/30 was not arrived at by starting with 70/30. What we did was figure out what a good national drug control strategy would look like; second, deciding what are those elements the federal government is responsible for and what they would cost. And that is probably the fact that explains more than anything else why the numbers are skewed that way.

There are certain responsibilities that the federal government has that we do not ask state governments to take up. When you look at the military's involvement, the Department of Defense's involvement, that is all the U.S. government's responsibility, that is all on the supply side. We do not ask the state of Delaware to monitor the Caribbean or the Gulf of Mexico. And that is right, and these things are expensive. It costs money to do it.

People should not be led to believe from looking at that ratio, I know you are not, Mr. Lowery, that we are somehow diminishing our effort on the "demand" side. We are not. We are increasing our efforts on treatment dramatically. We are increasing our efforts on education. But on the treatment and education side, you have got the states as players, too.

On a lot of the supply side you only have the federal government. If it does not do it, it does not get done. And as with education generally being a state and local responsibility, so on drug education matters are the states and locals primarily responsible.

But I come back and say look at the increases we have made in those areas and I think they are quite substantial. In terms of effectiveness of education programs, I will be speaking tomorrow in Omaha for a full meeting of the Drug Free Schools Commission which is co-chaired by Secretary Cavazos. And one of the things we will talk about is what was learned about effective programs in schools.

In terms of curriculum programs, I do think that the DARE programs and other programs that work on peer pressure, teaching kids how to say no, how to resist, how to turn off somebody who is trying to turn them on with drugs——

Mr. **Lowery**. Self-esteem.

Mr. **Bennett**. Yes. Properly based self-esteem, based on achievement, yes, sir. Not just yelling "have self-esteem," that will not work—"have self-esteem, kid, before I beat you." That is not going to work. Kids develop self-esteem when they have done something which they think merits self-esteem. You can not fool them into it. Or if you give them some persuasive reason why they should have self-esteem, such as you love them or care for them. That often helps.

But I think those peer pressure programs are effective. I think the DARE programs are effective. I like the DARE programs that I have seen. I like them particularly when the officers come in in the early grades and talk to the children. I know this has some critics, but I do not take the criticism seriously unless it is criticism I have not heard. The ones I have heard is that this is going to make kids very friendly toward the police and therefore very friendly toward authority and not questioning of authority, but that stuff disappeared years ago, though it is still around in some places.

The better kids feel about police officers, it is likely the better they will feel about the law, and that is a good thing.

Mr. **Lowery**. Some criticism has come from the other side, that cops should be out on the street, fighting crime and border patrol agents and the like. What are we doing having police personnel in classrooms?

Mr. **Bennett**. I think that if you have got a good cop in there, an effective cop in the classroom, having this kind of effect on a lot of kids, that is probably as an efficient use of a cop as you can get. You should evaluate your police like you evaluate your teachers. I am sorry—you should evaluate your police not like we evaluate our teachers. That is, we should evaluate them on the basis of their competence and ability. And if they are good, they should stay. Not like we evaluate teachers, which is they stay no matter what they are. And school superintendents stay no matter what they are and go if they are good sometimes. We will not go into that. Maybe later. Anyway, you know what I mean.

If they are good, they are doing pound for pound, ounce for ounce, they are doing more for prevention. Because you see these cops in there with the third graders talking to these kids, and those kids are listening. Kids are listening. And I have to believe that the persuasion of the lesson plus the symbolic presence plus the kids' notion of what the law is and seeing the law embodied in this very persuasive man or woman is a great way to do it. And I believe in it.

Mr. **Lowery**. Mr. Chairman, I thank you. Bill, appreciate your testimony. You are doing a hell of a job, you have a unique ability to galvanize folks on a problem. You did it in education, and you are doing it here. Keep it up.

Mr. **Roybal**. The chair would now like to recognize someone who has been here from the very beginning of the hearing, Mr. Early.

OVERBURDENED COURTS

Mr. **Early**. Thank you, Mr. Roybal. Mr. Bennett, I want to welcome you as everyone else has.

If the federal courts are overwhelmed by what is happening with drugs, this Member thinks that more cases should be directed to the state courts with federal monies, and that perhaps the federal court system should handle just major dealer and, cartel cases. I am sure it would be difficult and not too popular, but the federal court system is becoming overwhelmed. As the drug czar, would you look at that?

Mr. **Bennett**. Sure. I can give you a reaction, too. I think in principle, I do not have any objection to it. The problem is there ought to be a reasonable cutoff, and the federal courts should only get a lot of the big cases and certain kinds of cases. But if you did that right now, in a lot of states there would not be any states prosecuting cases that ought to be brought. There needs to be much better pattern and rationale for cases brought, I think both in the state courts and the federal courts, a rationale that follows from a state's or locale's own drug strategy.

One of the things—maybe we just think that others should do it because we did it, but it is a good exercise to go through, to draft and write a national drug control strategy. And the states should do it, too. And they will find when they do it certain things will elicit out of that process, which is a strategy for prosecution and arrest, the prosecution and conviction, which is what they ought to do.

Mr. **Early**. Mr.Bennett, I appreciate your answer. It surprised me a little bit, because I really think that will evolve, and maybe we should do it at this time. But I think it is going to happen in a few years. We are just making it more difficult.

DRUG INTELLIGENCE CENTER

Mr. Bennett, the 1991 request for special forfeiture funds includes $86 million for the development of a national drug intelligence center. Would you summarize the mission of this center and where would it be located?

Mr. **Bennett**. Sure. John, would you review it? We just talked about it.

Mr. **Walters**. Yes. The purpose of the center is to take the intelligence from law enforcement agencies and create a strategic picture of how trafficking is conducted—the organizations, the flow of necessary support, whether that is money or transportation resources for chemicals and weapons that are involved in trafficking—and give us an ability to then analyze and target our resources against vulnerable points and also compare the effectiveness of what we are doing on a strategic basis and measure how we should allocate personnel and resources so that we are getting maximum effectiveness.

There are many, as you no doubt know, agencies here that have a component that does some strategic intelligence. Most of the agencies that are involved in this have a component that does some strategic analysis for their particular agency. There is no combined analysis, however, at the present time, and by far the largest effort in intelligence here in the federal government in law enforcement is tactical operational—it is case-based, it is used for prosecutions. That is not surprising; that is what they are in business to do.

The problem is that we now have resources that are not only prosecutorial that we can apply here; we also have resources that can be regulatory in terms of banks, chemicals or weapons; we have resources that are personnel and equipment resources in terms of helping Andean countries in blocking the flow and disrupting trafficking; and we need to have a better strategic picture in order to allocate and respond to the trafficking organizations as they exist today.

Mr. **Early**. What is the time table for getting the center up and running?

Mr. **Walters**. We hope to be able to have initial starts actually this fiscal year, with using, as Mr. Carnes stated earlier, existing department resources of the participating agencies. And then, of course, have it fully funded and running during the next fiscal year, beginning October 1.

Mr. **Early**. You have requested $53 million for construction and equipment. How much is for construction, and how much for equipment?

Mr. Carnes. The split on that, Mr. Early, as shown for construction is $26 million, and the equipment is the remainder. I think that comes out to about $23.5 million, or something like that.

I would just make this point—this goes back to the first line of questions that we had before—those were the initial estimates that we had of what a fully functioning intel center would cost to staff up and get going with a particular configuration. Now, as we have over the course of the past several months in developing the second strategy determined what that center will actually look like, it is our estimation that the initial year cost will be less in fiscal 1991, which is what creates the surfeit that could be applied of those funds for AUO and costs like that.

Mr. Early. How will it be staffed? Will personnel from other agencies be transferred or will it be all new hires?

Mr. Carnes. There will be a combination of transfers from other agencies, and we hope to bring on additional new personnel, not to diminish the resources of those agencies we already have.

Mr. Early. The justifications indicate that the director of the center will be under the supervision of the Attorney General but report to an oversight board of Justice, Treasury, Defense, and DOT. To whom is the director ultimately accountable?

Mr. Carnes. By the way, ONDCP is on that board as well, Mr. Early. He is ultimately accountable to two people: he is accountable to the board, and his salary is paid by the Attorney General. But my suspicion is that—I expect the way it would work in point of fact is that if the board did not approve of the performance of that director that the Attorney General would go along with the decision of the board.

Mr. Early. Mr. Bennett, this appears to be going in the wrong direction from my point of view, from when you first started. Then we tried to drive that through the narrowest part of the funnel. But, I think we are going to have problems with this. How will this system differ from DEA's effort?

EPIC'S ROLE

Mr. Carnes. The principal difference, Mr. Early, is that EPIC is a wholly-owned subsidiary, if you will, in effect of the Justice Department, and it provides case-related data useful for prosecutions, arrests and convictions. The function of the National Drug Intelligence Center is different, and that is to provide the complete laydown, if you will—the enemy order of battle, a complete, thorough understanding of how organizations function, so that it provides a strategic overview of what organizations are like so the very participating agencies' resources can be targeted. And this will not necessarily mean always arrest, prosecution and conviction; it can mean other things, as Mr. Walters said.

Mr. Early. Mr. Bennett, the budget also includes $42 million for the federal drug control agencies' automated data processing and other activities authorized by Public Law 100-690. How much is allocated to ADP activities?

Mr. Bennett. Bruce?

ADP REQUEST

Mr. CARNES. When you ask how much is allocated for ADP, the $42 million is for what we are calling an ADP initiative. It is outlined in Appendix E in the strategy, an information management appendix. And essentially what we are doing here in this, and this gets back to a question Mr. Lowery had asked as well about the interconnectivity of agencies. Right now, each of these agencies has its own particular data base, as you well know. I know you are very familiar with this issue. Some of them are more advanced than others. Some of them are not very advanced at all.

Several months ago, we tasked the group chaired by the FBI to do a survey and study of what the current state of play was with ADP capabilities in these agencies and also to outline a plan as to how we ought to improve how these agencies hook up and share information. I am not just talking about intelligence, I am just talking about basic data that they do not get as well.

We have that report; it is a blueprint that is guiding us, and that is sort of the basis of our initiative, as laid out in the strategy. The idea here is to improve, for instance, DEA's basic ADP capabilities—I believe we talked about this last time—and where they are different today from then is that we have a blueprint for doing that. DEA's ADP has to be improved. FBI's DIS system is going to be a principal basis for how we operate. The TEC system and the IDL system have to be interconnected, and that is what this plan is all about.

Mr. EARLY. I just have a basic problem, Mr. Carnes. I think that the three of you are suggesting that over the years the whole thing will be automated. That is the only way we are going to come to grips with it. I appreciate your description that things are getting a lot better but they are still bad. I listened very attentively to your responses to Mr. Lowery and Mr. Skeen about the entire picture—Mr. Bennett, and I thought everything had to go through the drug czar. I know you. You deal with these agencies. But the egos will drive you crazy—we are getting there, but we are not getting there as fast as we should be. If everything was coming in and you, not Bill Bennett, but the drug czar, was responsible for all the automation——

Mr. BENNETT. I do not know. I understand what you are saying. By the way, this Appendix E—E is for Early. This one is for you. You always bring it out, but we wrote it. Right, Bruce?

Mr. CARNES. Correct.

POWER & RESPONSIBILITIES OF DRUG DIRECTOR

Mr. BENNETT. You were the first one to think about it. You have hammered us and hammered us on it. Fair enough. But this is too much for one fellow. There is just too much. We have got to have a finger in everything, and we do. And we have got to be represented, and that is why Mr. Carnes added that we will be there on the oversight board. And we will be involved in every major meeting that involves this.

But you are right—there is ego and there is turf. But one of the things you learn is that you cannot claim all the turf for you or all the ego for you, all the credit for you. You have got to give people room, not only to operate their agencies and departments, but to get credit for it, take the initiatives and make the announcements, issue the press releases.

Mr. **Early** That is the first time I have ever heard you are wrong.

Mr. **Bennett**. What?

Mr. **Early**. That is wrong. We cannot diffuse that. If there is a beauty to the FBI way, it is that the Director has control of the automation and the system. It is not Bill Bennett, it is the drug czar. You should say—the drug czar, not Bill Bennett—say that we are going to go IBM, for example, and we are going to go sole source, and let them all argue whatever they want to argue.

Mr. **Bennett**. We said that.

Mr. **Early**. Did you really?

Mr. **Bennett**. You bet. We said this. And before we got this out, there were six or seven objections from other egos, other people—we have all got them, God knows—saying no, and we said no back and we prevailed. This is the policy that we recommended. This is the final I want. I want at least the authority to make the recommendations to the President and know that our recommendations are the ones that are going to be taken.

I take your point is a conceptual one about how this works or a practical one about how this works, but you could proceed in the direction that you recommend and say all these agencies are going to turn over the following information to us on a central system, controlled by one authority. You could do that, and there would be a lot of china that would have to be broken to go down that route.

We believe we can get there and get there with agencies that will willingly give information, which is the ideal circumstance because they benefit from it and they see they benefit and they see there is a level playing field. And I do not have any illusions about the problems involved here, but the fact is there are problems in going down the route of saying everyone will come under this rubric because you know enough about this area to know orders to give up information do not mean that information gets surrendered. And there are a lot of games you can play and play hide and seek about who knows what about whom and who's operating where that people can be resistant. We have had years of that in all intelligence areas.

Our goal here is building on what people see as the need and building on a structure that we believe gives a level playing field. Our participation helps ensure a fair, impartial, disinterested group involved that is tied to the President and has a responsibility for making all this work. Obviously key from our point of view is to show that everybody benefits from this, and that means we get a willful incentive on their part to participate. Now, you may be right and we may be wrong, but I think——

Mr. **Early**. You can go down that road, Mr. Walters, or you can argue to the FBI approach and copy the FBI. And I say, respectfully, because I respect the three of you, that I think that is a lot of theory. I really think that is what Bill Bennett was known for. You had to tell the DEA guys, Customs. You had to tell them, get in line. I will set up the system.

Mr. **Bennett**. We have told various people where to get or how to get—at various points. But that is different from doing it every day every minute on everything. Unless you establish this basic trust that Mr. Walters was talking about, basic—that does not mean you become a Pollyanna and you think that you are going to have total disclosure of everything—but unless you establish good working relationships and the opportunity to take the initiatives, to do things and get the credit for them, I do not think it is going to work. I just do not think it is going to work. We can re-evaluate it. But this has been an evolutionary process.

Mr. **Early**. Thank you very much.

Mr. **Roybal**. Mr. Hoyer.

REPORT ON DRUG PROBLEM IN D.C.

Mr. **Hoyer**. Thank you very much, Mr. Chairman. I apologize for my lateness. We had Carmen Turner before the Transportation Subcommittee, which is where Mr. Wolf is now. It is a program of significance to this region.

With reference to this region, Mr. Bennett, you articulated very early in your tenure Washington as a major area which was "out of control," and you initiated a lot of attention to that and some activity. Could you tell us what has been done and where you think we are as a region?

Mr. **Bennett**. Yes. We will have a full report in April, Mr. Hoyer. We had promised a report every six months on the progress. I appreciate your accurate description of what it was we did and said, I find out often in questions about this people say, when you decided to make the D.C. metropolitan area a model area in drugs, we did not—that was not our view or intention. What we saw was a situation which was out of control and said we need to do something.

I think that there are some signs of progress. It is a mixed report. You have a drug use problem in the D.C. area, and a drug crime problem that is about as intense as anywhere in the United States. One, that is bad news.

Two, you have, I think, narrow degrees of cooperation among various local authorities and Federal and State and local authorities that you have not had before. I had a meeting last week with the chief of the D.C. police, Isaac Fullwood. He expressed appreciation and degrees of gratitude for the work of the Federal task force. I think that has been a success. We have people talking to each other and working together.

We have had some major arrests and major busts. A major arrest and conviction—the Rayful Edmonds conviction. There are some reports now of—I am sure you saw them—of a lower rate of arrestees in Prince Georges County and the District testing positive for illegal drugs. These numbers are down way below what we find in almost any jurisdiction of this size. And various efforts are being undertaken to explain it. That is encouraging as well.

What else, Bruce? What am I missing?

Mr. **Carnes**. In terms of the actual D.C. initiative, a number of items have been accomplished; in fact most of the items that we laid out that the Federal Government would do have been done.

For instance, so far 242 federal prisoners, D.C. prisoners, have been absorbed by the Federal Bureau of Prisons. The pre-trial detention facility right now is an issue that is unresolved. There are various sites that D.C. is considering but has not made a decision as to what it is going to do there.

Now, NIDA is prepared to release up to 7½ million in research grants and contracts for D.C. The Alcohol and Drug Abuse Services Administration diagnostic unit is expected to be expanded in the next two to three months. There are enhancements at the Cardoza Health Center which will increase by about 150 to 300 slots for comprehensive outpatient treatment. In addition, the Office of Substance Abuse Prevention— —

Mr. **Hoyer**. Could I interrupt you? On the health center, how much federal money will be in that? Is that 100 percent or 50-50 or what is that?

Mr. **Carnes**. I do not have the dollars with me right now, Mr. Hoyer, but I can provide them for you. I think so, but I am not certain. I mean, I can provide it I know, but I think it is mostly federal funds.

Mr. **Hoyer**. Okay.

[The information follows:]

FEDERAL FUNDING FOR DISTRICT OF COLUMBIA HEALTH CENTER

The National Institute of Drug Abuse has issued a Request for Applicants (RFA) to solicit applicant interested in providing 300 outpatient slots for the District of Columbia. Responses to the RFA must be received by May 23, 1990. Outpatient services are expected to be operational by November or December, 1990. The Federal government will provide 100% of the costs of the 300 outpatient slots.

Mr. **Carnes**. There was a building at St. Elizabeth's that is also being converted to use for drug treatment, and we expect it by the fall or the winter. There will be an additional 90 beds available at that time. I was mentioning OSAP— —

Mr. **Hoyer**. Could I also stop you at that point? What is our perceived need? I take it St. Elizabeth's is in the District of Columbia. What is the perceived need in the District of Columbia for rehabilitation beds? I know that you spoke of that as a component of what we are going to do. Do we know? Is there an assessment of that?

Mr. **Carnes**. I believe an assessment has been done, that was worked out between HHS and the District, but I do not have that exact assessment with me.

Mr. **Hoyer**. If you have it, maybe you could provide it.

Mr. **Bennett**. Sure.

Mr. **Carnes**. Again, back to OSAP. Back in November, OSAP and D.C. together—OSAP funded a conference for D.C. to implement a comprehensive prevention program and plan in the District. They are providing technical assistance for board teams that are formulating community strategies against drug abuse.

The Education Department has also provided funds to D.C. totalling $550,000. Funds have also been provided, $200,000 from the National Institute of Justice for Project Spirit activity, $250,000 provided by Office of Juvenile Justice and Delinquency Programs for Project Z-1000 Smart program.

And HUD—my reading on a grant at HUD—an application at HUD—is that I expect there will be a satisfactory resolution of that within a matter of weeks, and my projection is that D.C. will get $1.9 million. They have submitted an application and it is being reworked and it is anticipated that that will be coming to D.C. from HUD shortly. The application will go from D.C. to HUD.

Mr. **Hoyer**. What will the $1.9 million be for?

Mr. **Carnes**. I believe this is related to the Capra project. The Corporation Against Drug Abuse in D.C. received a grant from the Department of Labor to help small businesses develop employee assistance programs. In addition, as I think you already know, the FBI and DEA have contributed resources. There have been teams assigned to help sort through the backlog on firearms cases, and a number of those have been resolved satisfactorily.

Mr. **Hoyer**. And you will have a full report I take it in April, with much of the information you had here?

Mr. **Bennett**. We are hoping to have a joint report, with the D.C. drug czar, Sterling Tucker.

Mr. **Hoyer**. Have you been working with the regional drug coordinators, Greg Gill, for instance, in Prince George's County, and each of the other counties?

Mr. **Bennett**. Right. Our office, Judge Walton's office, State and Local Affairs, has been, yes, sir.

Mr. **Hoyer**. Last question. On education, what are we doing in this year's budget as it relates to your budget vis-a-vis education?

Mr. **Bennett**. It is up to $492 million, Bruce?

Mr. **Carnes**. It is more than that. Mr. Hoyer, the Education Department goes to $593 million in just the state block grant, the schools and community grant. But I should point out that the Education Department grant is only one of many Federal activities that are prevention-related. The total funds for prevention are $1.25 billion—$1,242,000,000, and that is up 83 percent since the administration took office. Education is one component of that, but there are also funds for prevention in HUD, other parts of HHS; ADAMHA for instance, community prevention grants, a new initiative we created this current fiscal year. So it is much broader than just the Education Department.

Mr. **Bennett**. But the education number is 376 in 1989—that is Department of Education.

Mr. **Carnes**. Right.

Mr. **Bennett**. Five sixty-two in fiscal 1990 and we are requesting 617 in 1991.

Mr. **Hoyer**. How does that relate to that 503?

Mr. **Carnes**. What he is including in there is some grants that are not entirely the prevention block grant. The vocational rehab piece of it he is mentioned, which we consider it treatment.

Mr. **Hoyer**. Okay. Lastly, on the education component, you put out a little booklet that was criticized but I thought it was useful, "What Works."

Mr. **Bennett**. "Schools Without Drugs"?

Mr. **Hoyer**. Well, you put it out, "What Works"—was not that the name of it?

Mr. **Bennett**. Yes.

Mr. **Hoyer**. Which I thought was a good little booklet. It was criticized because maybe there were some things somebody else thought about, but I thought they were compartmentalized and I thought it was a good effort. Are we doing anything like that as it relates to what works in the drug war?

WHAT WORKS IN DRUG EDUCATION

Mr. **Bennett**. Actually, late in my tenure as Secretary of Education, Mr. Hoyer, we put out another book, which is what I thought you were referring to, called "Schools Without Drugs," which gives recommendations for what schools should do, an assessment of schools. That is being updated.

Mr. **Walters**. There has been one edition; there is another edition coming out.

Mr. **Bennett**. Plus the Department is tasked to come out with a recommendation for a curriculum. Third, the Commission on Drug Free Schools, which I co-chair with Secretary Cavazos, will be making its recommendations finally—when?

Mr. **Carnes**. I am not sure. I will have to check that.

Mr. **Bennett**. Three months, I think. I am going to a meeting of the Commission tomorrow in Omaha, and we will have recommendations across the board about what works and what to do. Essentially what we want to do is based on the research—find out what the school policies are that work, find a curriculum that seems to work the best. So far the evidence that we have on the curriculum is these peer pressure programs that I was referring to earlier. And third, identify different kinds of models around the country of school programs that already exist that others could build on. As you know, we are impressed with a lot of what we see in your area, Maryland.

Mr. **Hoyer**. The governor, as you know, is very dedicated to getting at this in conjunction with the federal program.

Mr. **Bennett**. Yes. I have talked to your governor about this a couple of times, and I want to help him all I can.

Mr. **Walters**. I just wanted to mention another point. The Labor Department has put out a similar "What Works" model book for work place prevention, and our office, working with other agencies, host a national conference of state drug coordinator and others later this spring. The theme of that will be to bring people together from a variety of areas of drug control and focus on what is effective as well as explain some of the federal programs that are now flowing money into the states and localities.

Mr. **Hoyer**. Thank you, Mr. Chairman. There is no doubt that this is one of the most important problems of the country. Citizens all say that, and we are very hopeful that all of us will work together to solve it. I look forward to doing that. Thank you, Mr. Chairman.

ONDCP BUDGET REQUEST

Mr. **Roybal**. Thank you. Mr. Bennett, just one or two more questions, and then we would like to submit questions in writing to you so they can be answered for the record. We understand you have an appointment around the noon hour. But I would like to ask two fast questions.

One is that we all know a substantial amount of money has been appropriated during the last two or three years to fight the war on drugs. Now, you are asking in this budget an additional $29.6 million. That is an increase. That is an increase. How is that going to be used?

Mr. **Carnes**. Mr. Roybal, $25 million of that is for an increase for high intensity drug trafficking areas. The Congress in fiscal 1990 gave us $25 million that we were to give just to the high intensity designated areas, not to be spent by us but to be spent by them. We have asked for another $25 million, to double that, in fiscal 1991. So those funds would go to high intensity areas.

The funds for ONDCP—Mr. Lowery asked me this question, too—the funds for ONDCP would go up by the remainder, the balance, which is about $4.5 million. The majority of that increase is personnel-related, both salaries and other compensation benefits. The reason is that in fiscal 1990 we are not operating at full speed yet. We are still hiring up, and we expect that by fiscal 1991 we will be operating at a full complement of people for an entire year. And so the $11.949 that we have in 1990 does not cover the full complement of our staff, and we will have that in 1991. And there is related costs to those personnel, including their ability to go and monitor actual projects on the ground, in a variety of states. That is travel and personnel.

YOUTH GANGS

Mr. **Roybal**. One last thing, and that is with regard to any funds that you may be spending to do some work with the youth gangs or youth organizations or youth in general. Can you tell the committee what it is that you are doing?

Mr. **Bennett**. This is spread out in several accounts. There is youth gangs, but then there is a lot of the prevention work in HHS and Education. Bruce would have a better handle on it.

Mr. **Carnes**. Off the top of my head, Mr. Roybal, there is funding being provided through the Office of Juvenile Justice and Delinquency Programs for approximately $7.5 million, my recollection is, for drug-related activities through that program. There are also funds—I just can not off the top of my head give you the exact dollar break out—for a number of variety of categoricals in HHS that are special population targeted, including young people in gangs.

Mr. **Roybal**. Is there work being done with youth gangs where individuals actually work with them on a person-to-person basis and in their own backyard?

Mr. **Carnes**. Again, I would have to verify that, but it is my understanding that that is happening.

Mr. **Roybal**. Would you then supply for the record what it is that you are doing? Because that is of great interest. It seems to me if you are going to get to these youngsters, you are going to have to work with them.

Mr. **Bennett**. That is right.

Mr. **Roybal**. And do all these other things as well. But the youngster himself I think has to be dealt with separately.

Mr. **Bennett**. I think some of the BJA money, the state and local law enforcement money, in California and in a few other places, is being used to have police work with the youth gangs, potential youth gang members as well, neighborhood by neighborhood. We can get that information.

[The information follows:]

FEDERAL ACTIVITIES RELATED TO YOUTH GANGS

The 1988 Anti-Drug Abuse Act established the Drug Education and Prevention Program specifically targeted for youth gangs. The program was created to fund projects which 1) prevent or reduce the participation of youth in activities of gangs that engage in illicit drug related activities, 2) promote the involvement of gang members in lawful activities, 3) prevent the abuse of drugs by youth and refer for treatment gang members who abuse drugs, and 4) support activities of local police departments to conduct educational outreach. Funding can also be used to facilitate coordination and cooperation among local education, juvenile justice, employment, and social service agencies, and among drug abuse referral, treatment, and rehabilitation programs for the purpose of preventing or reducing the participation of youth in activities of gangs that commit drug-related crimes.

This program is administered by the Administration on Children, Youth, and Families within the Office of Human Development in the Department of Health and Human Services. Approximately $15 million has been provided for these grants in 1989 and 1990. The President's budget requests level funding for this program in 1991. The President's budget request also contains funding for other treatment and prevention programs which target at-risk youth but which do not specifically target gang youth.

Mr. **ROYBAL**. Also please let me know whether or not you have social workers and people trained in that field working with youth. It is not always the best thing to have a policeman work with youth.

Mr. **BENNETT**. Right.

Mr. **CARNES**. Sir, just one point, Mr. Roybal. There is $36.5 million in our request in the Office of Human Development Services, and there are three programs that are specifically targeted, as you are indicating. One is called the Runaway and Homeless Youth Drug Program, one is called the Drug Program for Youth Gangs, and then there is a portion of Child Welfare Research. There is a specific youth gang program in here.

Mr. **ROYBAL**. Now, the drug program for youth gangs—what is the specific amount?

Mr. **CARNES**. I will have to give you that for the record.

Mr. **ROYBAL**. When you answer that question then, give us all the information you possibly can.

Mr. **BENNETT**. Sure.

Mr. **ROYBAL**. That is of great interest to me.

Mr. **BENNETT**. Sure.

Mr. **ROYBAL**. Mr. Bennett, I would like to thank you, Mr. Walters and Mr. Carnes, for your attendance and your testimony. We would like to ask one question on behalf of Mr. Jaime Fuster, who is a Member of Congress from Puerto Rico.

Drug abuse on the island is not only a common problem for Puerto Rico, it is also a problem for the nation, because it is directly related to the trafficking of South American drugs into the United States. What is being done to remedy the situation, particularly with regard to Puerto Rico?

Mr. **BENNETT**. Well, I think strengthening our interdiction efforts overall should have a pronounced and positive effect there. Bruce, did you want to answer?

EXTRA FUNDING FOR PUERTO RICO

Mr. **Carnes**. Yes. Mr. Chairman, there is a 130 percent increase proposed for Puerto Rico above the fiscal year 1989 level in our budget, from $10.4 million to $23.7 million specifically for Puerto Rico. In addition, we expect Judge Walton to actually be meeting with officials in Puerto Rico in the very near future to discuss how these funds would be used and to get a better understanding of their problems.

Mr. **Roybal**. Mr. Fuster goes on to explain that the problem does not seem to be getting any better, that their efforts in Puerto Rico are handicapped by a local inability to provide all the resources needed, and that there seems not to be any resources coming from anyplace else.

Now, I understand that in that report that was issued it stated that the authorization is among the last in the Anti-Drug Abuse Act of 1988 still to be appropriated and it is urgently needed. Is there any truth to that? That it is not appropriated?

Mr. **Carnes**. I would have to get a fix on what that authorization is. But as I said a moment ago, we are proposing a huge increase, probably the largest increase of any of the states or jurisdictions is going to Puerto Rico—130 percent.

Mr. **Roybal**. So that may be then something that will solve these problems that he is making reference to?

Mr. **Carnes**. Yes, sir.

Mr. **Roybal**. Thank you, Mr. Bennett.

Mr. **Bennett**. Thank you, Mr. Chairman.

[Questions and answers for the record and the justifications follow:]

QUESTION:

What is the figure that you use to estimate the total cost of illegal drug use to the nation? Does that include lost productivity in business, health care costs, crime?

ANSWER:

A study for NIDA by the Research Triangle Institute (RTI) reported that the cost of drug abuse to society was approximately $ 60 billion in 1983. This figure included lost productivity, health care costs, and crime.

NIDA reports that by the end of May 1990, they will release a study which updates that figure. That study began in 1987 and is being conducted by the University of California at San Francisco. We understand that the costs of drug abuse to society have risen since the RTI report.

QUESTION CONCERNING OCDETF FUNDING FROM REP. WOLF

QUESTION: The President's budget requests a total of $330 million for 13 regional Organized Crime Drug Enforcement Task Forces, which is a 54 percent increase over 1990. How does this effort relate to the five High Intensity Drug Trafficking Areas for which you have requested $50 million?

ANSWER: The five High Intensity Drug Trafficking Areas are New York, Los Angeles, Miami, Houston, and the Southwest Border. Organized Crime Drug Enforcement Task Forces (OCDETF) are also headquartered at these locations, with the OCDETF San Diego office covering the Southwest Border. The High Intensity Area and the OCDETF programs are separate efforts that will complement each other. The High Intensity money is meant to fill-in critical funding gaps in the law enforcement programs of Federal agencies in these regions. This would include funding assistance for OCDETF participating agencies.

QUESTION

COMMUNITY DRUG ABUSE PREVENTION -- The President's budget offers a 12 percent increase for both law enforcement and drug prevention and education activities. In actual dollars, this means that in Fiscal Year 1991 the request is $7.56 billion for law enforcement (page 112) and $1.39 billion for prevention and education (page 117).

I believe that the only way we are going to make real progress against illegal drug use is through our schools, churches, and parent groups. Everyone in the community must get involved.

I want to commend you for your encouragement of the Northern Virginia Interfaith Action Council, which has begun working in this area.

What is the Administration doing to encourage these types of groups -- not in a financial sense, necessarily, but in terms of providing information, speakers and other forms of non-monetary support?

ANSWER

As you know the President's Strategy firmly supports community coalition building. Strategy I called for a new program to provide assistance in comprehensive community drug prevention. The Office of Substance Abuse Prevention at the Department of Health and Human Services is implementing this program to assist communities in planning and developing community-wide prevention programs that involve local government, the schools, the churches, civic groups and others. The Department of Education has recently published a booklet,"Growing Up Drug Free: A Parent's Guide to Prevention." And, the Department of Housing and Urban Development is also providing funding for comprehensive drug elimination programs in public housing.

In addition to providing seed money for community groups, we are also working with a number of national organizations to encourage local participation in this effort. Veterans organizations, service clubs and representatives of the religious community have received non-monetary assistance in developing strategies for working at the local level. Prevention experts in the Administration, including ONDCP, frequently speak to non-Federal citizen groups on the need for comprehensive community-based prevention programs.

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM REPRESENTATIVE EARLY

QUESTION: **The FY 91 request for the special forfeiture fund includes $86 million for the development of a national drug intelligence center. Where will it be located?**

ANSWER: The Management Analysis Group set up by the Attorney General will recommend the exact location. A basic planning assumption of the Management Analysis Group is that the NDIC will be located in the Washington area.

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM REPRESENTATIVE EARLY

QUESTION: What is your timetable for getting the center up and running?

ANSWER: Because the NDIC planning has not been completed, we are not able to describe an exact timetable. The Management Analysis Group, set up by the Attorney General, projects the Center will commence operations in 1991.

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM REPRESENTATIVE EARLY

QUESTION: **You have requested $53 million for construction and equipment. How much will be needed for construction, and how much for equipment?**

ANSWER: The $53 million was an initial estimate of the construction and equipment cost. The Management Analysis Group, set up by the Attorney General, has revised the estimate. While not final, construction cost has been dropped. The revised costs are shown below:

Cost	Amount (in thousands)
Rental of space cost of NDIC and buildout cost of required space	$ 7,061
Equipment	21,600
Total:	$28,661

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM REPRESENTATIVE EARLY

QUESTION: **How firm is your estimate for construction costs?**

ANSWER: The $53 million was an initial estimate of the construction and equipment cost. The Management Analysis Group, set up by the Attorney General, has revised the estimate. While not final, construction cost has been dropped. The revised costs are shown below:

Cost	Amount (in thousands)
Rental of space cost of NDIC and buildout cost of required space	$ 7,061
Equipment	21,600
Total:	$28,661

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM REPRESENTATIVE EARLY

QUESTION: What will the remaining $33 million be used for? Please provide a detailed breakdown for the record.

ANSWER: The previously mentioned estimate of $86 million for the NDIC with $33 million for ADP improvements has been significantly changed. The table below presents the cost estimate by the Department of Justice for a National Drug Intelligence Center.

Department of Justice Costs Estimates for the
National Drug Intelligence Center
(In thousands of dollars)

1991 Costs	Amount
Salaries and expenses of 150 DoJ employees	$ 9,215
Rental of Space Costs of NDIC	2,065
Buildout costs of new space	5,000
Intelligent workstations for 100 specialists	1,600
NDIC Automated Drug Intelligence Information System	
Software requirements	9,000
Hardware requirements	11,000
Subtotal, Auto, Drug Intelligence Info. System	20,000
Annual operating expenses	8,085
TOTAL, 1991 COST OF NDIC	$45,961

QUESTION:

What will be the working relationship between the center and other federal law enforcement agencies?

We expect that all the principal federal law enforcement agencies (DEA, FBI, Customs, Coast Guard, IRS, etc.) will participate. We expect that the Defense Department will have some representation in the NDIC. Definition of the exact level and nature of participation of specific agencies must follow the management plan currently being developed by the Department of Justice.

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM REPRESENTATIVE EARLY

QUESTION: What is your estimate of the annual operating cost of the center? Will the operating cost of the center be budgeted under your office of the Justice Department?

ANSWER: We have not made a detailed assessment of what the out-year costs will be for the NDIC. We expect, however, that they will be in the range of $30 million per year.

QUESTION CONCERNING AUTOMATED DATA PROCESSING FROM REPRESENTATIVE EARLY

QUESTION: **The budget request also includes $42 million for Federal drug control agencies automated data processing and other activities authorized by P.L. 100-690. How much is allocated for ADP activities?**

ANSWER: All $42 million is going to be used for ADP activities. These funds are to be distributed among the principal law enforcement agencies as follows:

ADP IMPROVEMENTS	AMOUNTS
FBI	
Enhancements to the Drug Intelligence System	$ 5.0 million
Contracts for architecture development	1.5 million
DEA	
Report Automation	9.0 million
Data Base Conversion	7.0 million
Upgrade of EPIC ADP	5.0 million
U.S. Customs	
Enhancements to TECS II	10.0 million
U.S. Coast Guard	
Improved message handling/data base	1.5 million
INS	
Improve data base integration/access to TECS II	3.0 million
Total:	$42.0 million

QUESTION CONCERNING AUTOMATED DATA PROCESSING FROM REPRESENTATIVE EARLY

QUESTION: What projects do you plan to fund and what is the timetable for these?

ANSWER: The ADP projects to be funded from the $42 million are for specific programs (see previous question.) These programs were judged by the ADP Working Group to be needing immediate improvement in the ADP capabilities and technology of the principal law enforcement agencies. It should be noted that the Special Forfeiture Funds do not become available until the end of FY 1991. Legislation has been proposed, however, that would make funds available earlier in the fiscal year, by making quarterly deposits into the Fund.

QUESTION CONCERNING AUTOMATED DATA PROCESSING FROM REPRESENTATIVE EARLY

QUESTION: What priorities were established for these funds and how are priorities determined?

ANSWER: The priorities established for these funds were based on the report from the ADP Working Group. The Working Group identified six primary ADP areas to which resources could be applied with significant and early returns. The focus of these initial expenditures is on enhancing existing systems (Treasury's, TECS II, FBI's Drug Information System, and Immigration's connectivity to TECS II) and on beginning the development of modern ADP capabilities to handle large amounts of data at each of these agencies.

QUESTION CONCERNING AUTOMATED DATA PROCESSING FROM REPRESENTATIVE EARLY

QUESTION: **How will specific projects be selected?**

ANSWER: The ADP Working Group is acting as the principal coordinator for the Drug Control ADP effort. The ADP funds have been tentatively allocated against eight specific programs or projects, all of which address significant ADP shortfalls or enhance existing ADP systems which are critical to our overall information integration.

For example:

DEA is doing a seven-month evaluation of its internal ADP needs and capabilities with focus on improved analysis of its data. The results will provide a basis for exact funding requirements.

The INS's Interagency Border Inspection System (IBIS) has developed comprehensive mid-range plans for expansion and enhancements. Funds allocated for TECS II and INS needs are to support these enhancements.

QUESTION CONCERNING AUTOMATED DATA PROCESSING FROM REPRESENTATIVE EARLY

QUESTION: How do you plan to coordinate ADP efforts funded by your office with the ADP projects and activities funded in individual agency budgets?

ANSWER: The Strategy directs a comprehensive ADP network to enable the sharing of data among the drug control agencies. Both the NDIC and ADP network are critical elements of the Administration's Strategy and will significantly augment the overall drug control capabilities. The NDIC and ADP network complement each other. It should be noted that the Special Asset Forfeiture Funds do not become available to ONDCP until the end of the fiscal year. Therefore, it will not be possible to use these funds until the beginning of FY 1992. During the coming weeks we will refine our estimates for both the NDIC and ADP network.

Other ADP resources requested by the agencies in their own budgets reflect organizational needs predominantly below the headquarters level.

QUESTION CONCERNING AUTOMATED DATA PROCESSING FROM REPRESENTATIVE EARLY

QUESTION: For the record, please provide a timetable and the total estimated cost of each project that will be funded in FY 91.

ANSWER: ONDCP is working with the agencies to revise the cost estimates of the National Drug Intelligence Center. By doing so we hope to free up funds to help cover the costs associated with the AUO increases for the law enforcement agencies. We anticipate having detailed figures on the Intelligence Center by June. ONDCP recently briefed the appropriate Congressional appropriations staff on the progress of these efforts.

QUESTION CONCERNING AUTOMATED DATA PROCESSING FROM REPRESENTATIVE EARLY

QUESTION: Could additional funds be utilized effectively in FY 91 to accelerate these projects?

ANSWER: No. If fact, as mentioned in the previous answer, we anticipate that the original $86 million estimate for the Intelligence Center can be reduced to help cover the costs associated with the AUO increases for the law enforcement agencies.

QUESTION CONCERNING AUTOMATED DATA PROCESSING FROM REPRESENTATIVE EARLY

QUESTION: Has your office developed an overall master plan for the ADP integration and improvements needed at the agency level and between agencies?

ANSWER: An overall master plan has not been developed as such; however, the ADP Working Group has made recommendations in its report and has made the following findings:

"We must bring together multi-source data, e.g. on suspect individuals and organization; support prosecutions; and operate an effective border control system;

Agencies charged with the interdiction of narcotics shipments into the United States must be provided integrated, all-source operational resources, as well as associated command and control facilities needed to coordinate properly surveillance and interdiction operations among participating national, foreign and local organizations; and finally

We must implement, on a national basis, the infrastructure necessary to plan, coordinate and oversee the many information programs that together will enable us to meet the foregoing goals."

QUESTION CONCERNING AUTOMATED DATA PROCESSING FROM REPRESENTATIVE EARLY

QUESTION: **If so, please summarize your findings. (I would be interested in receiving a copy of this plan.)**

ANSWER: The Working Group's November 22, 1989, findings and recommendations summary is as follows:

> "A critical factor in successful intelligence support to operations is the ability to integrate data from diverse sources and to make it available to a broad range of users. Information sharing has been identified as a key requirement and foundation principle toward achieving a comprehensive Information Management Strategy involving a broad range of technical, operational and procedural initiatives. In this regard, there are three basic challenges that must be met on a priority basis:
>
> -- We must bring together multisource data, e.g., on suspect individuals and organizations; support prosecutions; and operate an effective border control system;
>
> -- Agencies charged with the interdiction of narcotics shipments into the United States must be provided integrated, all-source intelligence to support effective development of limited operational resources, as well as associated command and control facilities needed to coordinate properly surveillance and interdiction operations among participating national, foreign and local organizations; and finally
>
> -- We must implement, on a national basis, the infrastructure necessary to plan, coordinate and oversee the many information programs that together will enable us to meet the foregoing goals."

HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT

Follow-up questions

Controversy Over High Intensity Areas

As you know, there has been a great deal of interest, as well as some controversy, over the designation of High Intensity Drug Trafficking Areas and the funding for these areas.

What do you see as the purpose of these designations and could you clarify exactly what types of resources will go to the 5 areas, will it be funds or Federal personnel?

Answer

The 1990 National Drug Control Strategy designates five areas of the United States as High Intensity Drug Trafficking Areas. These areas have been designated because of the seriousness of their drug problems and the effects that drugs flowing through theses areas have on other parts of the country. The purpose of the designations is to identify areas experiencing the most serious drug trafficking problems in the Nation, and to determine the most pressing needs for Federal intervention.

The funds allocated, $25 million this year and $50 million proposed for Fiscal Year 1991, will be used to enhance law enforcement efforts against drug trafficking organizations. These funds are not intended to be used as State grant money nor as a supplement to States' law enforcement initiatives. They are, however, to be used in the designated areas for law enforcement purposes which includes the entire law enforcement community in the particular areas.

ONDCP has asked the HIDTA lead agencies to prepare plans for: consulting with State and local officials; developing proposals to refine specific area designations; conducting research and assessing the needs of each area; and making recommendations as to the allocation of HIDTA funds.

The State and local law enforcement communities are participating with the Federal government in the assessment process and development and development od implementation plans.

HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT

Follow-up questions

Controversy Over High Intensity Areas

How was the $50 million figure for FY 1991 arrived at?

Answer

The 1991 budget doubles the Administrations' commitment to the HIDTA program. Total resources increase by $25 million, bringing the total program resources to $50 million.

QUESTION CONCERNING FUNDING FOR HIGH INTENSITY DRUG TRAFFICKING AREAS FROM REPRESENTATIVE LOWERY

QUESTION: Could additional funds be efficiently utilized?

ANSWER: ONDCP feels that the current level of resources and the level proposed for FY 1991 are adequate to carry out the Administration's anti-drug efforts in the five designated areas. Additional funds are unnecessary to further the objectives of the program.

HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT

Follow-up questions

Controversy Over High Intensity Areas

Please provide for the record a breakdown of the additional HIDTA resources planned for the Southwest Border area for Fiscal Years 1990 and 1991.

Answer

In personnel resources, increases for the Southwest Border HIDTA area are 413 additional full-time employees in FY 1990 and an additional 315 full-time employees in FY 1991. These figures include OCDETF.

In budget resources, the increase in FY 1990 is $49.5 million and an additional $43 million in FY 1991.

These approximately 700 additional personnel will be on the Southwest Border by FY 1992.

HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT

Follow-up questions

Chemical Diversion Issues

As you know, San Diego had the nation's highest number of DEA class One investigations for the category of Dangerous Drugs, because of the prevalence of Methamphetamine in the San Diego area.

I realize DEA's regulations have only been in effect since the fall of 1989, but is your office monitoring the implementation of the Chemical Diversion and Trafficking Act of 1988, and are you planning any new efforts to combat the Meth problem?

Are you working with DEA and Customs on restricting the export of cocaine processing chemicals such as MEK to the Andean nations?

Answer

DEA and Customs have developed programs to implement the requirements of the act which are proving to be very effective in identifying chemical manufacturers, distributors and customers. These programs involve domestic transactions and the import and export of the controlled chemicals.

It is too soon to reach a judgement as to the efficacy of the programs, since they were only implemented November 1, 1989. However, we are monitoring these programs and have seen many successes. Recently, DEA and Customs briefed my staff regarding their program initiatives.

During FY 89, DEA seized approximately 850 clandestine laboratories in the United States and about half of these were methamphetamine labs throughout California. Although DEA continues to seize numerous labs, it appears that chemicals are more difficult to obtain in California, requiring violators to travel to the East Coast and Canada. However, it is too soon to measure the effectiveness of the Act.

In regards to exports of chemicals,during March alone, three major shipments of MEK were seized in violation of the Act as they were being shipped out of the United States to Peru, Ecuador and Jamaica. These seizures totalled over 1.5 million kilograms.

WHAT WORKS IN EDUCATION

QUESTION

What education programs are working well in your opinion?

ANSWER

A wide range of programs and strategies have been used in recent years to prevent drug use by school children. Not surprisingly, all have been claimed to be highly effective. Nevertheless, there has not been as much solid research on the effectiveness of drug education programs as we would like. More such research is needed, and it is a high priority of the National Drug Control Strategy.

We can, however, draw some conclusions based on research conducted to date. For example, it is clear that firm school policies and sanctions against the sale or use of drugs, consistently enforced, are a necessary and highly effective first step for any school. A 1988 national survey of public high school administrators found that drug use decreased in schools that implemented strong anti-drug codes. And we know that schools that adopt drug education programs but fail to implement firm policies are unlikely to reduce student drug use.

The research also suggests that prevention programs are more likely to be effective when they involve a wide variety of community organizations -- law enforcement, the media, local government, and civic and community groups -- in addition to the schools. With respect to particular curricular approaches, the research points to peer resistance training as a technique that has had some success in reducing student drug use.

EXPANSION OF DARE

QUESTION

Are there any plans to expand the D.A.R.E. program? Can we find additional funding for it?

ANSWER

Project DARE is a cooperative prevention prgoram developed in 1983 by the Los Angeles police department and school districts. Currently, there are approximately 800 DARE programs throughout the country, which involve some 3 million students.

The Federal government supports DARE in two ways. First, the Department of Justice funds several training sites at which police officers are trained in the program's methods. And second, funds made available through the Department of Education's Drug Free Schools and Communities grant programs are used by local school systems to support DARE projects. For FY 1991, the Administration is seeking an increase of $54 million for the Drug-Free Schools and Communities program, to $593 million.

QUESTION FROM REPRESENTATIVE LOWERY

QUESTION:

The Department of Defense has frequently complained, both directly and indirectly, that counter-narcotics operations are frequently conducted in an atmosphere where there are serious questions about who is in charge. We all understand where policy is made, but are you satisfied that our operations in the field are being conducted in such a way that all concerned understand the chain of command?

ANSWER:

DOD has been working to implement its counternarcotics program and to carry-out its detection and monitoring mission. We are not surprised that some problems have been alleged, but we are satisfied that those involved in field operations understand their respective chains of command.

QUESTION FROM REPRESENTATIVE LOWERY

QUESTION:

How would you evaluate the DOD participation in counter-narcotics operations now?

ANSWER:

The Department of Defense has been forthcoming with support to other agencies and has developed significant initiatives to support the National Drug Control Strategy.

QUESTION FROM REPRESENTATIVE LOWERY

QUESTION:

How have we arrived at today's level of effort? Is our current level of effort right?

ANSWER:

We have conducted a comprehensive review of all of our efforts in the drug control arena. Based on this review, we have developed the National Drug Control Strategy which includes a number of initiatives that alter and improve both in emphasis and with increased resources, our overall effort.

QUESTION CONCERNING THE MILITARY'S ROLE IN DRUG INTERDICTION FROM REPRESENTATIVE LOWERY

QUESTION: Many have express strong reservations about an expanded role for the military in counter-narcotics operations. How do you feel?

ANSWER: This Nation's war on drugs is being fought on many fronts. One of those fronts is "Interdiction." Congress has directed the military to act as the single lead federal agency for the detection and monitoring of aerial and maritime transit of illegal drugs into the United States. This effort is "in support" of law enforcement interdiction forces. As the law enforcement forces expand their efforts, the military has increased their efforts proportionally. Many have confused the military's expanded efforts with an expanded role for the military.

QUESTION FROM REPRESENTATIVE LOWERY

QUESTION: One of the problems cited by some academics attempting to make a contribution to our national counter-narcotics strategy is a lack of data. Do you agree, and if so, what are we doing to compile and maintain better data to make it available to appropriate individuals and agencies?

ANSWER: We have included as a part of the National Drug Control Strategy the establishment of the National Drug Intelligence Center. This Center will focus on the analysis of law enforcement information for the development of strategy. This effort, along with the ongoing increased effort by the foreign intelligence community, will result in much better data being available to appropriate agencies.

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM REPRESENTATIVE CONTE

QUESTION: **There's a noticeable lack of specifics in your request for $86 million to fund a "National Drug Intelligence Center". Specifically, how do you propose to spend these funds?**

ANSWER: The previously mentioned estimate of $86 million for the NDIC with $33 million for ADP improvements has been significantly changed. The table below presents the cost estimate by the Department of Justice for a National Drug Intelligence Center.

Department of Justice Costs Estimates for the
National Drug Intelligence Center
(In thousands of dollars)

1991 Costs	Amount
Salaries and expenses of 150 DoJ employees	$ 9,215
Rental of Space Costs of NDIC	2,065
Buildout costs of new space	5,000
Intelligent workstations for 100 specialists	1,600
NDIC Automated Drug Intelligence Information System	
Software requirements	9,000
Hardware requirements	11,000
Subtotal, Auto, Drug Intelligence Info. System	20,000
Annual operating expenses	8,085
TOTAL, 1991 COST OF NDIC	$45,961

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM REPRESENTATIVE CONTE

QUESTION: How many people do you envision working at this intelligence center?

ANSWER: The amount of money requested in the FY 91 budget assumes salaries and expenses for the 300 people we previously estimated to be needed. The Management Analysis Group, set up by the Attorney General, will make final recommendations on manning the NDIC in the coming weeks. The previous estimate of 300 people has been scaled back to 150 people.

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM REPRESENTATIVE CONTE

QUESTION: **Why do you need $53 million for "construction and equipment-related expenses"? How did you arrive at this amount?**

ANSWER: The $53 million was an initial estimate of the construction and equipment cost. The Management Analysis Group, set up by the Attorney General, has revised the estimate. While not final, construction cost has been dropped. The revised costs are shown below:

Cost	Amount (in thousands)
Rental of space cost of NDIC and buildout cost of required space	$ 7,061
Equipment	21,600
Total:	$28,661

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM REPRESENTATIVE CONTE

QUESTION: What's the square footage of this proposed new facility? Where will it be located?

ANSWER: The Management Analysis Group set up by the Attorney General will make recommendations on whether new facilities are required or whether existing government or leased facilities could be used. Planning factors are that the NDIC will be located in the Washington area, and require approximately 57,000 square feet.

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM REPRESENTATIVE CONTE

QUESTION: **What agencies outside of the Justice Department will participate in the center on a daily basis?**

ANSWER: We expect that all the principal federal law enforcement agencies (DEA, FBI, Customs, Coast Guard, IRS, etc.) will participate. We expect that the Defense Department will have some representation in the NDIC. Definition of the exact level and nature of the participation of specific agencies must follow the development of the management plan currently being developed by the Department of Justice's Management Analysis Group.

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM REPRESENTATIVE CONTE

QUESTION: Will these people be detailed on a reimbursable basis?

ANSWER: At this time it has not been determined what percentage of these positions will be on the NDIC table of organization and how many will be detailed on a reimbursable basis.

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM REPRESENTATIVE CONTE

QUESTION: Does the Justice Department have MOU's or letters of commitment from other departments to participate in the center's operations?

ANSWER: We expect that all the principal federal law enforcement agencies (DEA, FBI, Customs, Coast Guard, IRS, etc.) will participate. We expect that the Defense Department will have some representation in the NDIC. Definition of the level and nature of the participation of specific agencies must follow the development of the management plan currently being developed by the Department of Justice's Management Analysis Group. MOUs or letters of commitment will be developed after the plan has been finalized.

QUESTION

There is a lot of information available about drug abuse. Your old stomping ground, the U.S. Department of Education, recently released a handbook entitled, Growing Up Drug Free: A Parent's Guide to Prevention. The Department of Labor has a booklet titled, What Works In the Workplace. The Department of Health and Human Services runs a clearinghouse on alcohol and drug abuse, and the military has several directives on drug abuse. What is going on here, do we need all these publications? Is there any coordination?

ANSWER

We are quite proud of the many first-rate drug prevention publications distributed by the Departments and Agencies. The demand for the DoED handbook, Growing Up Drug Free: A Parent's Guide to Prevention has been extremely high and DOL's What Works in the Workplace is a useful publication. DoED's booklet, Schools Without Drugs is also in great demand and has even been translated into a number of foreign languages. These publications are all excellent resources, and they are among the most effective drug prevention tools the Federal Government has produced. As to the matter of coordination, we have good coordination of efforts through the Demand Reduction Working Group which is comprised of all the Federal agencies involved in demand reduction.

QUESTION # 9 FROM CONGRESSMAN CONTE

QUESTION: **This year as part of the Drug Free Schools Act of 1986, we will spend $1 million on the National Commission on Drug Free Schools. How many other commissions or boards have received funding under the National Drug Control Strategy? Please provide a list of all the boards and commissions and the amount of funding each receives for the record.**

ANSWER: The National Commission on Drug Free Schools was authorized by the 1988 Anti-Drug Abuse Act. This Commission was specifically charged with reporting on issues relating to drug-free schools. Funding for this Commission was provided in the 1990 appropriation and is included in the Budget Summary. There are no other Federal commissions on demand or supply reduction activities funded in the Strategy. It is possible, however, that the various Federal agencies involved in the war on drugs either directly or indirectly fund other advisory bodies on a Federal, State or local level.

QUESTION # 10 FROM CONGRESSMAN CONTE

QUESTION: **Your budget justification has a breakdown of the budget authority by functions, with categories like interdiction, investigations and research and development. I know that the Education Department plans to spend $29 million to train school personnel in 1990 and 1991. Where does something simple like personnel training show up in your justification?**

QUESTION # 11 FROM CONGRESSMAN CONTE

QUESTION: **For the record please provide a list of all the training programs funded under the National Drug Control Strategy?**

QUESTION # 12 FROM CONGRESSMAN CONTE

QUESTION: **Under your national strategy how much are we spending to train professionals about drugs?**

ANSWER: I would like to respond to all three of the above questions since they are related. The National Strategy places a high priority on training personnel for drug-related activities. In some instances, training is specified as a discrete program. For most agencies, however, training for demand and supply reduction activities is included as part of their direct operations budget. The Budget Summary does not contain budget information at this level of detail. This information is contained in the Congressional budget justifications provided by each of the designated drug agencies.

QUESTION # 13 FROM CONGRESSMAN CONTE

QUESTION: **People are always critical that not much federal money actually gets to the problems. The Drug-Free Schools and Communities Act attacked this concern by requiring that each state education agency pass along at least 90 percent of the federal funding to the local schools. What safeguards have you built into the National Drug Control Strategy to insure that the money gets to where the problems are?**

ANSWER: For 1991, approximately $2.6 billion dollars of Federal funding for drug-related activities will flow to the States under the President's budget request. Of this amount, $1.5 billion, slightly more than half, is made up of block grant funds that flow through State governments to local governments and to public and non-profit providers. Most of the remaining funds are direct grants made to local governments and providers. Each of these programs puts constraints on the amount of funding that can be used for administrative costs. The law limits administrative costs to 10 percent for the Drug Free Schools and Communities Act block grant, 5 percent for the Alcohol, Drug Abuse and Mental Health Services block grant, and 10 percent for the Justice Department block grant. Funding announcements for individual grant competitions also limit the use of funds for administrative costs. We believe these measures adequately ensure that Federal funding is used primarily for direct program costs.

QUESTION

In testing the effectiveness of "Project Alert", RAND Corporation found that one of the keys to an effective drug abuse prevention strategy is to help students resist peer pressure. To what extent does the national strategy address the issue of peer pressure?

ANSWER

The Strategy states that "schools must teach our children to stay away from drugs and how and why to say no to friends who tempt them. Parents and community leaders [should] reinforce those lessons...." We recognize that programs designed to combat peer pressure have been successful and peer resistance training is being incorporated into drug prevention programs increasingly across the country. The Administration has sought to increase Drug Free Schools funding by $239 million over the last to years in order to encourage and support these types of activities.

Special Forfeiture Fund

Question 15:

The 1988 Drug Bill authorized the Special Forfeiture Fund, and provided that "funds disbursed ... shall not be used to supplant existing funds, but shall be used to supplement the amount of funds that would otherwise be available". How do you interpret this provision?

Answer:

We interpret this provision to mean that SFF monies should be used to finance unforseen contingencies or special projects that are certain to be needed to fully engage Federal efforts in drug-related activities. We don't believe that SFF monies should be used to finance drug programs that would have otherwise been funded. This would run counter to Congressional intent.

Special Forfeiture Fund

Question 16:

How do you categorize your proposal to use the fund to pay agency AUO costs: is it supplanting or supplementing?

Answer:

It is clearly supplementing. The President's budget proposed that AUO costs be absorbed in agency budgets. Using SFF funds to cover the costs of AUO will allow the agencies to supplement, not supplant, existing programs.

Special Forfeiture Fund

Question 17:

What is the justification for using the forfeiture fund to pay for the NDIC? Why shouldn't the Justice Department pay for this center as the Treasury Department paid for the establishment of FINCEN?

Answer:

The National Strategy calls for the establishment of a National Drug Intelligence Center. It is an initiative developed by ONDCP and is critical to improving the exchange of intelligence between the law enforcement and the National Foreign Intelligence communities.

Both FINCEN and NDIC are similar in that they perform functions that crosscut agency responsibilities. Unlike FINCEN, however, NDIC has yet to receive funding from direct appropriations. In light of its crosscutting nature and its ONDCP origins, we believe that the use of SFF moines is appropriate. Its funding would supplement, not supplant, existing drug-program resources.

Special Forfeiture Fund

Question 18:

At one point, it was suggested that the forfeiture fund be used to finance the start up of Treasury's FINCEN. Why didn't you use the forfeiture fund for that purpose?

Answer:

FINCEN received funding in FY 1990 from direct appropriations to the U.S. Customs Service. Under current law, the SFF will receive deposits for the first time from DOJ's Assets Forfeiture Fund at the end of FY 1990 and Congress has earmarked these proceeds for prison construction. Therefore, there are no resources in the SFF to pay for FINCEN.

Moreover, if we used SFF funds to finance FINCEN, say in FY 1991, we would in effect be substituting SFF monies for appropriations that might otherwise occur. In other words, we would be using SFF funds to supplant, not supplement, the financing of the Center. This clearly would violate Congressional intent.

QUESTION:

With respect to funding mechanisms, how do you distinguish NDIC from FINCEN?

The ADP funds have been tentatively allocated against eight specific programs or projects, all of which address significant ADP shortfalls or enhance existing ADP systems which are critical to our overall information integration. Though no funds have been specifically allocated for FINCEN, FINCEN will significantly benefit from the expanded availability of drug information.

Any improvements in FINCEN ADP systems will be funded out of their authorized base. No special forfeiture fund money will be used for FINCEN ADP systems.

QUESTION:

The Administration has proposed the establishment of an intelligence center in Treasury called FINCEN and an intelligence center in Justice, called NDIC. Does it make sense to combine these operations to produce a greater efficiency and coordination?

During deliberations concerning the establishment of the Financial Crimes Enforcement Network (FINCEN) we made it clear to both Treasury and Justice that eventually the NDIC and FINCEN would need to work closely together and, in fact, may be consolidated in some manner. Because the NDIC planning has not been completed, we are not able to describe exactly how this integration and coordination will take place. We are confident, however, that the effort of the two entities will be mutually supportive and synergistic.

QUESTION CONCERNING COORDINATION OF INTELLIGENCE CENTERS FROM REPRESENTATIVE CONTE

QUESTION: To me there seems to be overlap. Using the description that you gave for NDIC, I recently asked Treasury if FINCEN was designed to meet specific mission objectives, the same ones that you used for NDIC. They're response was "yes", four times. Why does the federal government need two separate intelligence centers?

ANSWER: The National Drug Intelligence Center (NDIC) will provide a broad range of support to national policy and operational decision makers. It will bring together drug information that is resident in the individual departments and agencies involved in the drug war. It will integrate this information into products which transcend individual agency mission requirements. The El Paso Intelligence Center (EPIC) is a tactical support organization which, by mandate, focuses on supporting the tactical and operational intelligence needs of interdiction and investigative components. Though EPIC and the NDIC theoretically could be merged, doing so would degrade the mission support capabilities of each.

Our plan is for the NDIC and FINCEN to work very closely together. In fact, they may be consolidated at some point.

QUESTION:

At one point FINCEN was having trouble securing financial and personnel commitment from agencies outside of Treasury, and that may still be the case. What have you done personally to help with this coordination problem?

Since our first Strategy was issued in September, 1989, the Department of the Treasury has worked aggressively to develop a comprehensive plan to accomplish its mandate as the Financial Crimes Intelligence Center. A major aspect of Treasury's efforts have been in working with other departments and agencies to solicit their support and participation. These efforts have begun to bear fruit. The Attorney General and other senior officials in the Department of Justice has expressed support for FINCEN and have made a commitment to participate actively. The Acting Director of FINCEN has received commitments from senior officials in both the Drug Enforcement Administration and the Federal Bureau of Investigation that they will have full time personnel assigned to the FINCEN.

In addition to these Justice commitments, numerous other agencies have demonstrated willingness to participate in FINCEN. The Internal Revenue Service has assigned 15 Special Agents and six intelligence analysts; Customs has assigned 17 Special Agents and approximately 25 intelligence analysts; Secret Service has assigned three Special Agents; the Nuclear Regulatory Commission, the Federal Reserve Bank, the Department of State, ATF, and the Postal Service have assigned one or more personnel each.

QUESTION CONCERNING DUPLICATION OF EFFORTS IN INTELLIGENCE FROM REPRESENTATIVE CONTE

QUESTION: I'm very concerned about the coordination among the various intelligence centers in existence and proposed for funding. We have countless centers all over the country: the Customs/Coast Guard Command-Control-Communication-Intelligence Center in Miami; the Coast Guard District 7 intelligence center at Miami air station; the DoD Joint Task Force-4 in Key West; the El Paso Intelligence Center (EPIC); the Joint Task Force-6 in El Paso; Treasury's FINCEN in Virginia; the CIA counter-narcotics center in Virginia; the Joint Task Force-5 in California; the C-3-I center in California; the Customs Air Program operations center in Oklahoma; the proposed National Drug Intelligence Center; and others not mentioned. What have you done to ensure that these centers do not duplicate functions?

ANSWER: Providing intelligence support to the broad array of supply reduction functions and activities is an immense and complex task. Each component such as investigations, interdiction, and foreign operations requires specific, and discrete, support. What works for investigators is not generally helpful to the interdictor: interdiction is time critical while investigations is much less so. The intelligence support functions which have arisen over the past several years have been designed to support specific aspects of the overall effort. While it is true that we can, and must, make these more efficient, it is not true that one or two intelligence activities can support all operational activities.

The creation of intelligence support functions is not a sign that our anti-drug efforts need to be reorganized. I do agree that we can do a better job in streamlining these support functions. A major objective of our established working groups and committees is to help in identifying how we can better develop, analyze, and disseminate intelligence to the decision makers, at both the policy and operational levels. I am confident that these groups will result in significant, and demonstrable, improvements and that unnecessary duplication will be minimal.

QUESTION CONCERNING AUTOMATED DATA PROCESSING FROM REPRESENTATIVE CONTE

QUESTION: Of the $42 million requested for ADP equipment and services from the special forfeiture fund, do you have a list of how much each agency will receive?

ANSWER: The $42 million is to be distributed among the principal law enforcement agencies as follows:

ADP IMPROVEMENTS	AMOUNTS
Agency/Program	
FBI	
Enhancements to the Drug Intelligence System	$ 5.0 million
Contracts for architecture development	1.5 million
DEA	
Report Automation	9.0 million
Data Base Conversion	7.0 million
Upgrade of EPIC ADP	5.0 million
U.S. CUSTOMS	
Enhancements to TECS II	10.0 million
U.S. COAST GUARD	
Improved message handling/data base integration	1.5 million
INS	
Improve data base integration/access to TECS II	3.0 million
Total:	$42.0 million

QUESTION CONCERNING AUTOMATED DATA PROCESSING FROM REPRESENTATIVE CONTE

QUESTION: How much of these funds are to be spent on equipment, service and other expenditures?

ANSWER: The law enforcement agencies are presently doing studies which will provide a basis for exact funding requirements.

HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT

Follow-up questions

Measures of Effectiveness

Do you think the amount of drugs interdicted or seized is fair measure of a program's effectiveness?

Answer

Interdiction aimed principally at drug seizures provides little impediment to smuggling organizations. Unless seizure rates are very high, interdiction alone represents only a slight cost of any trafficker's cost of doing business.

To be fully effective, the interdiction program must aim at trafficking organizations and individuals themselves, creating a serious risk of punishment or financial loss.

The National Drug Control Strategy addresses this issue, i.e., our principle interdiction objective is to identify and apply enforcement efforts against those elements of the drug smuggling process that are of the highest value to trafficking organizations.

HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT

Follow-up questions

Measures of Effectiveness

With such a large volume of drugs entering the country, the price so low, why should we use this measure?

Answer

As the response to the question above indicates, interdiction program seizures that are focused on high risk and/or financial loss to traffickers are much more effective when they can be measured in relation to the amount of illicit drugs being produced, and shipped to and consumed in the United States.

We recognize that improved information and intelligence systems will enhance our ability to identify, detect, and seize the high value shipments that will hurt the traffickers. The Strategy addresses the enhancements we believe will greatly assist in this area.

HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT

Follow-up questions

Measures of Effectiveness

Aren't we spending billions to reduce supply and increase price to deter the use of drugs?

Answer

We must begin to see the drug control program as an integrated system, not in discrete supply and demand reduction terms. Often, law enforcement resources are viewed entirely as supply reduction in nature and only those resources that are directly spent on education and treatment activities are considered demand reduction.

While many supply reduction activities are inherently expensive (patrol cars, aircraft, detection systems) and are primarily Federal government activities, many supply reduction activities also have a profound impact on demand reduction, and are so intended.

Thus, while 71 percent of the budget's "bottom line" is for activities traditionally thought of as supply reduction, a large portion of this funding will have an impact on and is aimed at reducing demand.

QUESTION CONCERNING MEASURES OF EFFECTIVENESS FROM REPRESENTATIVE CONTE

QUESTION: **When do we hit the point of diminishing returns -- when spending more for new interdiction systems doesn't make sense?**

ANSWER: Interdiction programs, while limited in scope, frequently require expensive, sophisticated equipment and technology if they are to successfully intercept drug smuggling. However, we also share your concern for the necessity to prudently manage our scarce fiscal resources.

While it is very difficult to identify the precise point you refer to because of the many factors which can affect interdiction efforts, the National Strategy does not propose any new major interdiction systems.

Our funding priorities focus on continuing the existing programs at their current levels while enhancing our border patrol programs along the Southwest Border to address the intensified land border drug smuggling in that area.

Measure of Effectiveness

Question 30:

Do you have any systems, in place that will let us know when enough is enough or will we have to start wasting money to find out?

Answer:

ONDCP has established an elaborate Committee and Working Group structure to monitor and oversee the implementation of all aspects of our National Drug Control Strategy. The Supply and Demand Reduction Working Groups will review progress in the drug war and make recommendations regarding future needs. The 1988 Anti-Drug Abuse Act requires the Director of ONDCP to identify "comprehensive, researched-based, long-range goals for reducing drug abuse in the United States." These goals are discussed in Appendix D of the January Strategy. These goals, when achieved, will signal major progress, if not victory, in this country's drug war efforts. ONDCP's Committees and Working Groups will monitor our progress in reaching these goals, and the Director of ONDCP will carry out his legal responsibility of recommending the most effective use and level of Federal budget resources to achieve these goals.

Coast Guard

Question 31:

The Coast Guard testified before the Transportation Subcommittee that your office had little role in developing its FY 1991 budget. Admiral Yost testified that you reviewed the Coast Guard budget late in the game, and made no changes. Is that all you did?

Answer:

We received the Coast Guard drug-budget submission in September 1989 and did review it carefully for consistency with the National Drug Control Strategy. We did recommend changes to Coast Guard's original request. We recommended changes because we felt that portions of the request were unnecessary for the Coast Guard to carry out its interdiction responsibilities.

Coast Guard

Question 32:

Did you have nothing to do in developing their budget request of $731 million for drug interdiction?

Answer:

As the previous answer states, we had much to do with developing Coast Guard's budget request. Prospectively, we have already provided budget guidance for agencies to use in developing their FY 1992 drug-budget requests to ONDCP. This guidance was developed based on the "National Funding Priorities for Fiscal Years 1991-1993" contained in the January *Strategy* and is intended to ensure that agency drug-budget submissions comport with those priorities.

ONDCP's Role in Other Drug-Related Budgets

Question 33:

What role did you have in developing the drug-related portions of other agencies' budgets, such as Customs or DOD?

Answer:

We received budget submissions from all the drug control agencies, which we evaluated relative to the National Drug Control Strategy. We made specific recommendations to the President for each agency.

It is important to keep in mind that the FY 1991 budget process was unique in that the agencies developed their budgets last Spring and Summer while ONDCP was developing the framework for the first National Drug Control Strategy. This Strategy was ultimately released last September, after the agencies submitted their drug-control budgets to ONDCP. Because the agencies did not have the benefit of knowing the National Strategy in advance, their budget requests had to be modified to reflect the goals and priorities of the Strategy.

Comparative Information

Question 34:

The information provided in the National Drug Control Strategy Budget Summary does not allow us to compare what specific resources the agencies are dedicating to similar tasks. For example, it is clear that the Coast Guard, Customs, and DOD are all expending significant resources in the general function of interdiction, but there is not comparison of the resources each of these agencies is devoting to the specific task of air detection. For the record, please breakdown the general functions into specific tasks. Within each task, please create a table listing the resources each agency devotes to that task, including equipment, personnel, and expenses. (For example, under air detection, information on the Coast Guard would include the number of aerostats currently in use and those requested for FY 1991, the number of personnel needed to operate the aerostats, the cost of operating the aerostats, and the cost of procuring and operating new aerostats. Similar information would be listed for Custom's aerostats and DOD's aerostats.)

Answer:

The detailed information requested cannot be gathered in the time allotted by the Committee. We are able to provide information about the operations and status of the aerostat program (see Exhibit 1) but we do not currently have sufficient data to permit a full crosscut by all participating drug interdiction agencies of the interdiction program into its component parts (i.e., air program resources, border control, marine, etc.). A more complete delineation of drug-related resources by department, bureau, or function (i.e., interdiction, investigations. etc.) is contained in our January National Drug Control Strategy, Budget Summary, the first document to present a comprehensive presentation of the Federal drug-control budget.

EXHIBIT I

STATUS OF AEROSTATS

27-Mar-90

Site (grouped by region)	Funding Comments	Date Operational	Estimated Acquisition Cost	O&M Funding	
SOWRBALLS (Southwest Border):					
Yuma, AZ	1986 AF Drug Bill	May-89	$18.2	Customs	
Ft Huachuca, AZ	Customs Appropriations	Jun-88	$21.6	Customs	
Demming, NM	1986 AF Drug Bill	Nov-88	$18.0	Customs	
Marfa, TX	1986 AF Drug Bill	TBD	$16.5	Customs	*
Eagle Pass, TX	1986 AF Drug Bill	TBD	$16.2	Customs	*
Rio Grande City, TX	1986 AF Drug Bill	TBD	$12.7	Customs	*
			$103.2		
GULFBALLS:					
Maragorda, TX	1989 DoD Funds	TBD	$13.7	Coast Guard	**
Morgan City, LA	1990 DoD Funds	TBD	$13.7	Coast Guard	**
Alabama Port, AL	1990 DoD Funds	TBD	$13.7	Coast Guard	**
Horseshoe Beach, FL	1989 DoD Funds	TBD	$13.7	Coast Guard	**
Venice, FL (From Patrick AF	1989/90 DoD Dunds	TBD	$10.0	Coast Guard	**
			$64.8		
CARIBALLS:					
Cudjoe Key, FL	Funded by AF	Dec-80		USAF	
Grand Bahama Island (High R	Turned over to Coast Guard	Mar-85		Coast Guard	
George Town	1986 AF Drug Bill	Oct-89	$23.6	Coast Guard	
Great Inagua Island	Site Selection Problems	TBD	$16.9	Coast Guard	**
Puerto Rico	Grant to Puerto Rico & AF ($2m)	Feb-90	$11.8	Puerto Rico	
			$52.3		
OTHER DoD:					
San Clemente Island, CA	Candidate for 1991 DoD Funds	Unknown	N/A	Customs	
			N/A		
	Total Cost:		$220.3		

* Current aerostat contractor (GE) is experiencing problems with radar and tether. These aerostats were to be on line by the end of calendar year 1989. The current projected start up dates are on hold pending GE investigation of problem with radar and tether.

** Projected operational dates are on hold pending GE investigation of radar and tether.

QUESTION CONCERNING OVERLAP OF AIR INTERDICTION FROM REPRESENTATIVE CONTE

QUESTION: The Customs Service has just spent millions and millions to retrofit a P-3 aircraft with 360 degree radar capability, and the Coast Guard is now developing a similar platform using a C-130. If a large fleet is needed why shouldn't one agency operate this type of platform, to reduce operation and maintenance costs?

ANSWER: The United States Customs Service shares responsibility for air interdiction with the Coast Guard. Customs assets are geared almost totally to the detection, interception, tracking and apprehension of aviation smugglers while the majority of Coast Guard assets are geared toward search and rescue and maritime interdiction. Both agencies have unique missions requiring dedicated resources to meet mission objectives.

The Department of Defense has lead agency responsibility for detection and monitoring and has added its extensive assets to the interdiction mission. DoD, Customs, and Coast Guard coordinate the use of detection and monitoring assets through regular planning meetings. In a very real sense, this coordination avoids duplication of effort and redundancy in the interdiction war, simulating the operation of these assets by one agency.

HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT

Follow-up questions

Customs Air Program

The Customs Air Program has literally taken off over the last few years, burning appropriated dollars like jet fuel. Funding for the air program has grown from $31 million in 1984 to an astronomical level of $230 million this year. That's an unthinkable 645 percent increase. With such generous support, I assume that the $143 million requested for this fiscal year is adequate to run the air program, and that your office will oppose any increases?

Answer

Following the enactment of the 1988 Omnibus Anti-Drug Act, the National Air Interdiction Strategy was established. The Strategy requires the long-term acquisition of performance-mandated assets, equipment and technical/enforcement personnel (funded, trained and appropriately deployed), to achieve a 1992 objective of reducing general aviation aircraft (GAA) smuggling by 50 percent.

In the past, smugglers who utilized GAA aircraft to enter narcotics into the United States has virtually been unchecked until the late 1980's. In 1984, the Customs Air Program could barely meet operational requirements to defend the Southeast Florida area. Today, the Air Interdiction effort is well on its way to meeting its strategy objective. It focuses on a fixed defense zone to provide a strengthened Southern border/coastline detection net and utilizes various mobile detection assets along smuggling route and transshipment countries of highest threat.

$143 million was officially submitted to the Congress in the President's Budget Request. This shortfall leaves several critical, integral initiatives unfunded in the achievement of the Air Interdiction Strategy. Since the Strategy requires all aspects of the interdiction process to be enhanced, a shortfall in any area will directly and adversely impact the overall effectiveness of the interdiction effort.

AIR INTERDICTION RESOURCES

Asset	Operational 1984	Partially Achieved 1990	Full Strategy Implementation
C3I Centers	0	2	2
Personnel	250	811	960
Interceptors/ Trackers	2	24	34
Apprehension	4	14	16
P-3 AEW	0	2	4
Aerostats	2	6	11

QUESTION # 37 FROM CONGRESSMAN CONTE

QUESTION: **In the first-ever award of Drug Elimination Grants by the Department of Housing and Urban Development, over one-third of the grant recipients were public housing authorities in New York, New Jersey and Connecticut, while only two of the twenty-seven awardees were located west of the Mississippi River -- one in Oklahoma and one in California. Does this reflect a regional bias inherent in the National Drug Control Strategy? If not, please explain this dramatic regional disparity.**

ANSWER: The 1988 Anti-Drug Abuse Act created the Drug Elimination Grant program. Funds are awarded on a purely competitive basis. The law does not allow any consideration of regional distribution. The law requires that awards be based on four criteria: the extent of drug-related crime, the quality of the plan, the ability to carry out this plan, and the extent of local and community support.

HUD received almost 500 applications in response to its 1989 competition and only 36 of these received funding, for a total of $8.2 million. These awards do not reflect a regional bias. Rather, they reflect the top scoring applications for that competition. According to HUD, the vast majority of applications were of superior quality and many of them would have been funded had there been more money available to distribute. This situation will be largely remedied for the 1990 competition because $100 million will be available for awards.

RESEARCH BY THE DEPARTMENT OF VETERANS AFFAIRS

QUESTION

The National Drug Control Strategy identifies a program within the Department of Veterans Affairs for "research and development to continue ongoing drug-abuse research." $2.2 million is available for this function in FY 90 and $2.3 million is being requested for FY 91. Please describe in more detail the R & D efforts being conducted with these funds. Explain how the VA research differs from, and is coordinated with, drug abuse research conducted under the auspices of the Department of Health and Human Services and other Federal entities.

ANSWER

The Department of Veterans Affairs (DVA) research is primarily clinical and program evaluation research performed by DVA staff at major Veteran's hospitals and research facilities. There are currently 37 funded DVA projects on drug problems of veterans. The projects are focused on the unique problems presented by veterans being treated in the DVA system.

All DVA projects are subjected to peer review by committees of external researchers and clinical experts. The peer review committees evaluate and rate the scientific merit of the proposals--whether the topic of the proposed study is original, whether it merits further research, if the research design is appropriate, whether the study team and facilities are adequate, and if the expected product of the research will have adequate clinical value to the DVA as it serves the veterans that depend on it for health care.

DVA research is coordinated with HHS through various mechanisms. First, ONDCP coordinates DVA with HHS research through the central review of the respective research programs, the promulgation of a comprehensive annual National Drug Control Strategy, and the ongoing liaison accomplished with the ONDCP coordinating committees for Research, Data, and Treatment. Furthermore, many DVA research proposal reviewers do or have served a similar function for HHS and all are recognized authorities on drug abuse issues. Many DVA researchers apply for and obtain HHS support for their research if its expected applications extend beyond the veterans population.

Executive Office of the President
Office of National Drug Control Policy
Congressional Budget Submission
FY 1991

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02/02/90

I. GENERAL STATEMENT

Executive Office of the President
Office of National Drug Control Policy

GENERAL RESPONSIBILITIES

The Office of National Drug Control Policy (ONDCP) is the President's primary Executive Branch support for drug policy and program oversight. The law provides for four Presidentially-appointed positions: a Director, a Deputy Director for Supply Reduction, a Deputy Director for Demand Reduction, and an Associate Director for State and Local Affairs. The Director is charged by law with formulating, evaluating, coordinating, and overseeing both international and domestic anti-drug abuse functions by all Executive Branch agencies, and ensuring that such functions sustain and complement State and local anti-drug abuse efforts.

Mandated ONDCP activities include:

- o Developing an annual National Drug Control Strategy;
- o Coordinating and overseeing Federal anti-drug policies and programs covering nearly 50 Departments and agencies, and the programs they administer;
- o Encouraging private sector and State and local initiatives for drug prevention and control;
- o Recommending to the President changes in the organization, management, and budgets of Federal departments and agencies engaged in the anti-drug effort;
- o Representing the Administration's drug policies and proposals to Congress;
- o Participating in NSC deliberations and decisions concerning drugs;
- o Producing legislatively mandated studies and reports for submission to the President and the Congress;

- **Developing a consolidated Drug Control Budget for presentation to the President and the Congress (including budget certifications and quarterly reprogramming reports); and**
- **Establishing and overseeing numerous legislatively mandated national campaigns and commissions.**

SPECIFIC STRATEGY RESPONSIBILITIES

As mandated by law, each annual National Drug Control Strategy prepared for the President must include:

- Comprehensive, research-based, long-range goals for reducing drug use in the United States;
- A review of State [illegible] local drug control activities to ensure that the United States pursues well-coordinated and effective drug control policies at all levels of government;
- A complete list of goals, objectives, and priorities for supply and demand reduction and a description of the balance of resources devoted to supply and demand reduction efforts;
- Private sector initiatives and cooperative efforts between the Federal Government and State and local governments for drug control;
- Three-year projections for program and budget priorities and achievable projections for reducing drug availability and usage, and a complete assessment of budget proposals for each Federal anti-drug program;
- A plan for improving the compatibility of automated information and communication systems to provide Federal agencies with timely and accurate information for the National Drug Control Program; and
- Designation (in consultation with the Attorney General, heads of Federal Drug Control program agencies, and Governors) of high intensity drug trafficking areas within the U.S.

As mandated by law, preparation of the Strategy must involve consultation with:

Members of Congress;
Representatives of Federal Departments and agencies;
State and local officials throughout the Nation; and
Private citizens throughout the Nation with expertise in supply and demand reduction.

The law requires that a report detailing these consultations must be submitted to the Congress with each National Drug Control Strategy.

In carrying out the President's Drug Control Strategy, ONDCP has established several coordinating and oversight mechanisms within the Federal government. For example, ONDCP chairs a Supply Reduction Working Group and a Demand Reduction Working Group to oversee and coordinate the efforts of Executive Branch agencies in implementing the Strategy. ONDCP also chairs a large interagency body to oversee drug-related research, data collections and evaluations, technology development, and ADP. In addition, ONDCP is represented on the board of the National Drug Intelligence Center and chairs the Drug-Related Financial Crimes Policy Group to target money-laundering and other financial crimes. ONDCP chairs bodies of the National Security Council related to international narcotics control. Numerous additional working groups chaired by ONDCP have been constituted to carry out the priorities and objectives of the National Drug Control Strategy.

SPECIFIC BUDGET RESPONSIBILITIES

As mandated by law, ONDCP must annually submit to the President and the Congress a consolidated National Drug Control budget that includes:

- A full assessment of the resources required to implement the National Drug Control Strategy;
- Three-year projections on goals, objectives, priorities, and resources for the Federal anti-drug program.

Specifically, the law requires that the Director develop for each fiscal year a consolidated National Drug Control Program Budget proposal to implement the National Drug Control Strategy, and transmit such budget proposal to the President and to the Congress. In developing this budget proposal, each National Drug Control program head, agency head, and department head with responsibilities under the National Drug Control Strategy must transmit the drug control budget request of the program, agency, or department for review by the Director of ONDCP at the same time as the request is submitted to their superiors (and before submission to the Office of Management and Budget).

The Director of ONDCP then reviews each drug control budget request, certifies in writing as to the adequacy of such request to implement the objectives of the National Drug Control Strategy for the year for which the request is submitted, and notifies the program manager, agency head, or department head, as applicable, regarding that certification.

The Director is also required to maintain records regarding certifications.

No National Drug Control Program agency shall submit to the Congress a reprogramming or transfer request with respect to any amount of appropriated funds greater than $5,000,000 which is included in the National Drug Control Program budget unless that request has been approved by the Director of ONDCP. The Director shall report to the Congress on a quarterly basis regarding the need for any reprogramming or transfer of appropriated funds for National Drug Control Program activities. (Section 1003, Public Law 100-690.) This requires that ONDCP, throughout the funding year, be familiar with the budget issues for each Drug Control Program.

ADMINISTRATIVE RESPONSIBILITIES

Since ONDCP is part of the Executive Office of the President (EOP), numerous administrative functions that independent agencies would perform are handled by the EOP Office of Administration. However, because ONDCP is located off the White House grounds, the Office is required to perform certain administrative functions, including internal mail delivery, contracting for and overseeing telephone and computer support, building and space allocation, building security, and negotiations with the General Services Administration (GSA) (on such matters as alterations, painting, carpeting, furniture, and custodial care).

II. SUMMARY OVERVIEW

Executive Office of the President
Office of National Drug Control Policy

The fiscal year 1991 budget request of $194.5 million provides $66.5 million for the salaries and expenses of the Office of National Drug Control Policy (ONDCP), of which $16.5 million is included for ONDCP office operations and $50 million for High Intensity Drug Trafficking Areas (HIDTA). ONDCP requests $128 million for the Special Forfeiture Fund (SFF). The total FY 1991 request of $194.5 million represents a $48.5 million increase over the fiscal year 1990 post-sequester level of $145.9 million appropriated for the activities of ONDCP.

The Office of National Drug Control Policy is an agency which is now almost one year old. Within the first year of ONDCP operations, the agency has been organized, housed, and staffed, has produced two National Drug Control Strategies--in September 1989 and January 1990, and has published the FY 1991 consolidated National Drug Control Budget. Much Strategy implementation and coordination work with the Drug Control agencies and State and local governments is on-going as well.

Few other agencies have as sweeping a mission as does ONDCP. As a result, ONDCP is estimating requirements based upon activities that are not completely defined, and in some cases, unforeseen. ONDCP must be prepared to carry out its current responsibilities as well as those that evolve in response to the exigencies of the drug war or Congressional action.

The salaries and expenses request of $16.5 million for ONDCP agency operations represents a $4.6 million increase over the FY 1990 post-sequester appropriation level of $11.9 million. This would sustain a personnel level for FY 1991 of 115 positions and 118 full-time equivalent (FTE). This level is an increase of 9 positions over FY 1990. ONDCP positions will continue to be supplemented by non-reimbursable detailees from the drug control agencies, particularly within the areas of Supply Reduction, Demand Reduction, and State and Local Affairs. The FY 1991 request includes funding for three coordinating offices formerly established by the National Narcotics Border Interdiction System (NNBIS) in Miami, Houston and Los Angeles/Long Beach, which will be continued and re-oriented to meet the mission of ONDCP.

On November 13, 1989, the President announced the formation of a Presidential Drug Advisory Council by Executive Order. This advisory council of up to 30 private citizens will assist ONDCP in the development, dissemination, explanation, and promotion of

National Drug Control policy. Although the advisory council is in a formative stage at this time, with the first meeting planned for early Spring 1990, it is anticipated that FY 1990 and FY 1991 expenses will be privately funded. All gifts and donations to this group will be received by ONDCP under its recently established gift authority. Administrative support to the advisory council will be provided by ONDCP.

The salaries and expenses request of $50 million for High Intensity Drug Trafficking Arees will be used for activities to address local needs in areas of the United States designated in the National Drug Control Strategy as High Intensity Drug Trafficking Areas as provided for in Section 1005 of The Anti-Drug Abuse Act of 1988. The first HIDTA areas are designated in the January 1990 National Drug Control Strategy. Congress has appropriated $25 million in FY 1990 for activities and assistance in these areas.

The Anti-Drug Abuse Act of 1988 established the Special Forfeiture Fund (SFF) to be administered by the Director of ONDCP. The Department of Justice has estimated that $109 million will actually be available for transfer from the Department of Justice Assets Forfeiture Fund to the Special Forfeiture Fund in FY 1990. These funds have been designated for prison construction. Of the FY 1991 request of $128 million, $86 million will be directed to the development of a National Drug Intelligence Center, and $42 million will be directed for improvements in the automation of information for Federal Drug Control agencies and other activities authorized by Public Law 100-690. The Administration continues to request a change in the Special Forfeiture Fund authorization language to allow the Director to begin disbursement of the monies in the Fund during fiscal year 1990, rather than at the very end of the year, as provided by the current authorization.

Executive Office of the President
Office of National Drug Control Policy

Budget Overview (in thousands of dollars)

	FY 1989 Actual	FY 1990 Estimate	FY 1991	Net Change FY '90-'91
Budget Authority:				
Salaries and Expenses				
ONDCP Operations	$3,500	$11,949[1]	$16,500	+$4,551
High Intensity Drug Trafficking Areas (HIDTA)	0	25,000	50,000	+25,000
Special Forfeiture Fund	0	109,000[2]	128,000	+19,000
Appropriation	$3,500	$145,949	$194,500	$+48,551
Gifts and Donations:	$ 0	$500	$1,000	$+500
Employment:				
FTP	96	106	115	+ 9
Total FTE	25	96	118	+22

NOTE: FY 89 FTE usage reflects partial-year start-up and hiring activities of ONDCP.

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[1] Includes $51,000 Gramm-Rudman-Hollings reduction.

[2] Department of Justice estimate of availability. "Not to exceed $115,000,000" was appropriated.

III. APPROPRIATION LANGUAGE

Executive Office of the President
Office of National Drug Control Policy

Appropriation Language

New language is underscored and deleted language is enclosed in brackets.

Salaries and Expenses

For necessary expenses of the Office of National Drug Control Policy; for research activities pursuant to Title I of Public Law 100-690; not to exceed $7,500 for official reception and representation expenses; for participation in joint projects or in the provision of services on matters of mutual interest with nonprofit, research, or public organizations or agencies, with or without reimbursement; [$12,000,000] $66,500,000 of which $50,000,000 will be for activities authorized by section 1005 of Public Law 100-690 for areas designated as High Intensity Drug Trafficking Areas: Provided, That the Office is authorized to accept, hold, administer, and utilize gifts, both real and personal, for the purpose of aiding or facilitating the work of the Office. (Executive Office Appropriations Act, 1990.)

Special Forfeiture Fund

For [Federal prison construction purposes to incarcerate drug traffickers and others who violate Federal statutes, an amount not to exceed $115,000,000] activities authorized by Public Law 100-690, such sums as may be necessary, to be derived from deposits in the Fund, and to remain available until expended: Provided, that the amounts made available under this appropriation may not exceed the amounts deposited in the Fund as authorized by section 6073. (Department of Transportation and Related Agencies Appropriation Act, 1990.)

Executive Office of the President
Office of National Drug Control Policy

Authorization Language

A legislative proposal to make funds available to the Special Forfeiture Fund earlier than currently authorized, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

Section 1. Assets Forfeiture Fund Amendment.

Section 524(c)(9) of title 28, United States Code, is amended to read as follows:

> "(9) There are authorized to be appropriated such sums as necessary for the purposes described in subparagraphs (A)(ii), (B), (C) (F), and (G) of paragraph (1). For each of fiscal years 1990, 1991, 1992, and 1993, the Attorney General shall transfer not to exceed $150,000,000 in unobligated amounts available in the Fund to the Special Forfeiture Fund: Provided, That such amounts will be transferred on a quarterly basis: Provided further, That an amount not to exceed $15,000,000 or, if determined by the Attorney General to be necessary to meet asset specific expenses, an amount equal to one-tenth of the previous year's obligations, may be retained in the Fund and remain available for appropriation."

Section 2. Special Forfeiture Fund Amendment.

Section 6073(b) of the Anti-Drug Abuse Act of 1988 (Public Law 100-690) is amended to read as follows:

> "(b) Deposits -- In each of fiscal years 1990, 1991, 1992, and 1993, there shall be transferred to and deposited in the Fund, from the Department of Justice Assets Forfeiture Fund pursuant to 28 U.S.C. 524(c)(9), not to exceed $150,000,000: Provided, That amounts specified in the second proviso of said section may be retained in the Assets Forfeiture Fund and remain available for appropriation."

Explanation of Changes

1. The first change requests a new appropriation of $66,500,000 for the Office of National Drug Control Policy, of which $16,500,000 would be used for ONDCP operations and $50,000,000 would be used for areas designated as High Intensity Drug Trafficking Areas.

2. The second change requests a new appropriation of such sums as may be necessary and may be available from deposits to the Department of Justice Assets Forfeiture Fund, in no-year funding for the Special Forfeiture Fund.

3. The third change would make funds available to the Special Forfeiture Fund earlier than currently authorized. Current law authorizes transfers of amounts from the Department of Justice (DOJ) Assets Forfeiture Fund to the Special Forfeiture Fund at the end of fiscal years 1990, 1991, and 1992. This proposal allows transfers to begin in the first quarter of FY 1990. It also extends the authorization of transfers from the DOJ Assets Forfeiture Fund through 1993, instead of through FY 1992, and makes a similar modification to the Special Forfeiture Fund to conform both sections with the sunset provision affecting the Office of National Drug Control Policy.

Section 1 authorizes the transfer of funds in an amount not to exceed $150 million each year for fiscal years 1990 through 1993 from the DOJ Assets Forfeiture Fund to the Special Forfeiture Fund. It further allows the transfer to occur on a quarterly basis and permits the Attorney General to retain up to $15 million, or one-tenth of the preceding twelve months' obligations, as necessary, in the DOJ Assets Forfeiture Fund to fund subsequent asset specific expenses.

Section 2 authorizes the receipt of funds transferred from DOJ's Assets Forfeiture Fund to the Special Forfeiture Fund in an amount not to exceed $150 million for each fiscal year 1990 through 1993. It further specifies that amounts retained in the Assets Forfeiture Fund will remain available for appropriation.

IV. PROGRAM AND PERFORMANCE

Executive Office of the President
Office of National Drug Control Policy

Program and Performance

The Office of National Drug Control Policy has primary responsibility for advising and assisting the President in formulating, evaluating, coordinating, and overseeing both international and domestic anti-drug abuse functions by all Executive Branch agencies; consulting with and providing assistance to State and local governments with respect to their anti-drug abuse functions; and administering related cooperative efforts with agencies of the Federal government.

Fiscal Year 1991 funds will support the Office of National Drug Control Policy's efforts to:

- Establish policies, objectives, and priorities for the National Drug Control Program.
- Promulgate a National Drug Control Strategy.
- Develop and administer mechanisms to coordinate and oversee the implementation of the National Strategy and other policies of the Director.
- Develop a consolidated National Drug Control Budget to implement the Strategy.
- Consult and work with State and local governments.
- Designate and provide assistance to High Intensity Drug Trafficking Areas.
- Develop a National Drug Intelligence Center.
- Direct improvements in the automated data processing capabilities of the Federal Drug Control Agencies.
- Conduct numerous studies, develop reports, and chair commissions as mandated by the Anti-Drug Abuse Act of 1988.

The most important and wide-ranging tasks of the Office are the development of the National Drug Control Strategy and the Consolidated National Drug Budget.

On an annual basis, the Director must develop a comprehensive, national strategy that will guide our Nation's drug efforts, and present to the President and the Congress a consolidated budget proposal to implement the goals and objectives in the Strategy. The National Drug Control Strategy is due to the Congress annually each February 1.

National Drug Control Strategy

The Director is required by law to submit to the President and Congress, each February, the National Strategy which will guide the country's anti-drug efforts. In the development of the Strategy, the Director is to consult with the heads of the nearly 50 Federal national drug control departments, agencies, bureaus, the Congress, State and local officials, and private citizens with experience in demand or supply reduction. These on-going and elaborate consultative efforts require a significant expenditure of staff resources in order to be effective and thorough.

The National Strategy shall:

- Include comprehensive, research-based, long-range goals for reducing drug abuse in the United States;
- Include short-term measurable objectives which the Director determines may be realistically achieved in the 2-year period beginning on the date of the submission of the strategy;
- Describe the balance between resources devoted to supply reduction and demand reduction; and
- Review State and local drug control activities to ensure that the United States pursues well-coordinated and effective drug control at all levels of government.

The Director shall consult with:

- The heads of the National Drug Control Program agencies;
- The Congress;
- State and local officials; and

- Private citizens with experience in supply and demand reduction.

The Strategy shall also include:

- A complete list of goals, objectives, and priorities for supply reduction and for demand reduction;
- Private sector initiatives and cooperative efforts between the Federal Government and State and local governments for drug control;
- A complete assessment of how the budget proposal transmitted is intended to implement the Strategy and whether the funding levels contained in such proposals are sufficient to implement such strategy;
- Designation of areas of the United States as High Intensity Drug Trafficking areas; and
- A plan for improving the compatibility of automated information and communication systems to provide Federal agencies with timely and accurate information.

National Drug Control Budget Proposal

The Director is required by law to develop and present to the President and the Congress a consolidated National Drug Control Budget Proposal. This budget proposal must detail the resources required to fully implement the National Strategy. The law requires a detailed process that must be followed in developing the budget proposal. This process has been described above (p.3).

In addition, reviewing the dozens of budget submissions and preparing the certification/decertification documents demands advanced budget analysis skills. Preparing quarterly reprogramming reports requires that ONDCP make assessments of the budget and policy merits of each agency's program efforts periodically and regularly throughout the year.

Mandated Studies and Reports

Numerous studies and reports are required by legislation. For example:

-- Executive Branch Reorganization Study.

The Anti-Drug Abuse Act of 1988 requires ONDCP to study the need to group, coordinate, and consolidate drug control agencies and functions. Since 1966, there have been not less than 16 significant proposals to reorganize Federal drug control programs. The creation of ONDCP in the 1988 Act is only the most recent change.

With the September 1989 National Strategy implemented and the 1990 Strategy just released, time is needed to assess the operations of the current agency drug structure under the Strategy program guidance and funding levels. Therefore, with the exception of the creation of a National Drug Intelligence Center, ONDCP recommends no major organizational changes at this time. The Executive Branch Reorganization Study, containing this conclusion and recommendation was submitted to Congress in January. ONDCP will continue to assess the drug problem to find better ways to execute the law, manage programs effectively, reduce expenditures, and promote economy. As needed program improvements become apparent, they will be reported to the President and Congress.

-- Department of Justice Reorganization Report.

ONDCP, as mandated by the Anti-Drug Abuse Act of 1988, examined the necessity of a new division or other organizational changes within the Department of Justice to promote better civil and criminal law enforcement. A report on the scope of the study, its findings, and its recommendations was made to Congress on December 1, 1989.

The study noted the management initiatives on the part of the Department of Justice, and that successful application of these initiatives would require the effective national coordination and policy oversight of the United States Attorneys by the Attorney General. The study also found that sufficient resources were provided in 1990 to assure this coordination or the Narcotic and Criminal Division. Finally, it concluded that a new division within the Department, or a fundamental reorganization, would be detrimental to the national drug control effort, as well as to specific congressionally-mandated missions of the various bureaus within the Department.

-- National Commission on Drug-Free Schools.

This Commission, cochaired by the Secretary of Education and the Director of National Drug Control Policy, is charged with determining what actions must be taken to ensure a drug-free environment for our Nation's schools. The Commission consists of 24 members appointed by various bodies, including some appointed by the Director. The report must contain the general findings and recommendations of the Commission, and must include a number of specific items: first, recommended criteria for schools to meet to be considered drug-free, including such items as guidelines for establishing a drug education program for grades K-12, a code of student conduct, referral to treatment for students found to be using drugs, and coordinated programs for drug use prevention involving parents, teachers, counselors, local law enforcement personnel, businesses, and community organizations; second, a discussion of such issues as the proper relationship among schools, parents and law enforcement officials, what corrective measures should be imposed on students found to be using drugs, whether the suspension of eligibility for student assistance under Title IV of the Higher Education Act upon conviction of a drug-related offense is a deterrent to drug use, and the potential effects of various specified drug control efforts on civil liberties, educational programs, non-drug-using students, and family relationships; third, a description of the assistance required by local school districts to establish drug-free schools and the manner in which local, State and Federal government may provide such assistance; and fourth, a description of the feasibility of certain programs designed to enhance and raise self-esteem, self-confidence, independence, and responsibility among students. The report is due September 1990. Since ONDCP lacks the funds to support this project most funding will be provided by the Department of Education. However, staff resources from ONDCP will be used to participate in the study and coordinate its work.

-- National Commission on Measured Responses to Achieve a Drug-Free America by 1995.

The Commission is established to develop a proposed uniform code of State laws that represent measured responses to achieve a drug-free America by the year 1995. The Commission shall consist of 24 members appointed by the President, and is to be chaired by the

Director. The Commission must produce a report to the Governors of the 50 States and the Mayor of the District of Columbia that will present to these officials a proposed uniform code of State laws. In its deliberations, the penalties for drug offenses, 2) participation in rehabilitation and treatment programs, 3) appropriate use of drug testing, 4) efforts to educate the public on the dangers of drug abuse as a means of reducing demand, 5) forfeiture of assets of violators of State drug laws, 6) cooperative ventures among the Federal, State and local levels, 7) methods to interdict illegal drugs at our borders, eradicate crops of illegal drugs, and cease the manufacture of illegal drugs, and 8) other means of preventing drug abuse.

-- Report to the Congress on the Use of Existing Research and Development Facilities for Civilian Law Enforcement.

The Anti-Drug Abuse Act of 1988 requires that the Director prepare and submit to the Congress a comprehensive plan for using no less than eight existing facilities of the Department of Defense, the Department of Justice, the Department of Interior, and the Central Intelligence Agency to develop technologies for application to Federal law enforcement agency missions, and to provide research, development, technology, and evaluation support to the law enforcement agencies of the Federal Government. This report was submitted to Congress November 15, 1989.

Drug-related Regulations and Data Collections

This Office has established a procedure to review drug-related information collections under the Paperwork Reduction Act of 1980 and all draft drug-related regulatory actions pursuant to Executive Order Numbers 12291, entitled Federal Regulation, and 12498, entitled Regulatory Planning Process. OMB consults with the ONDCP concerning proposed agency information collections and draft regulatory actions relating to drug policy. ONDCP is an important participant in these review processes concerning national drug matters. This task involves considerable staff resources.

Testimony and Legislation

To ensure overall Executive Branch consistency in the policies and practices of Federal programs involved in the effort to reduce drug abuse, ONDCP reviews all drug-related testimony and legislative proposals.

High Intensity Drug Trafficking Areas

As authorized by Section 1005 of the Anti Drug Abuse Act of 1988, the Director designated the first five High Intensity Drug Trafficking Areas in the January 1990 National Drug Control Strategy. They are: New York City, Los Angeles, Miami, Houston, and the surrounding areas of these cities; and the Southwest Border of the United States. Areas so designated will receive Federal assistance through a variety of programs and Federal, State and local cooperative efforts.

National Drug Intelligence Center

In FY 1991, Special Forfeiture Fund monies are requested to develop a National Drug Intelligence Center (NDIC). Sponsored by ONDCP, the NDIC will be a jointly manned and managed law enforcement intelligence center with a narrowly focused mission to dismantle major drug trafficking organizations and to improve U.S. and foreign government capabilities to combat drug traffickers and associated financial crimes.

Automated Data Processing Improvements

In FY 1991, Special Forfeiture Fund monies are requested to improve the automated data processing (ADP) capabilities of the Federal Drug Control Agencies. This ADP effort will focus on integrating data from diverse sources with a view to achieving a comprehensive information strategy to improve our national drug control effort.

Executive Office of the President
Office of National Drug Control Policy

Salaries and Expenses

Program and Financing (in thousands of dollars)

	11-1457-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
	Program by activities:			
	Direct Program:			
00.01	Salaries and expenses	$3,458	$11,949	$16,500
00.02	High intensity drug trafficking areas	0	25,000	50,000
00.91	Total direct program	3,458	36,949	66,500
01.01	Reimbursable program	63	0	0
10.00	Total obligations	3,521	36,949	66,500
	Financing:			
11.00	Offsetting collections from: Federal funds	-63	0	0
25.00	Unobligated balance lapsing	42	0	0
39.00	Budget authority	3,500	36,949	66,500
	Budget Authority:			
40.00	Appropriation	3,500	37,000	66,500
40.00	Reduction pursuant to P.L. 99-177	0	-51	0
43.00	Appropriation (adjusted)	3,500	36,949	66,500
	Relation of obligations to outlay:			
71.00	Obligations incurred, net	3,458	36,949	66,500
72.40	Obligated balance, start of year	0	1,332	14,292
74.40	Obligated balance, end of year	-1,332	-14,292	-27,475
80.00	Outlays	$2,126	$23,989	$53,317

Executive Office of the President
Office of National Drug Control Policy

Special Forfeiture Fund

Program and Financing (in thousands of dollars)

11-5001-0-2-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Program by activities:			
10:00 Total obligations	$ 0	$109,000	$128,000
Financing:			
40.00 Budget authority (appropriation)	0	109,000	128,000
Relation of obligations to outlays:			
71.00 Obligations incurred, net	0	109,000	128,000
72.40 Obligated bal. start of year	0	0	98,100
74.40 Obligated bal. end of year	0	-98,100	-118,500
90: Outlays:	$ 0	$10,900	$107,600

Executive Office of the President
Office of National Drug Control Policy

Gifts and Donations

Program and Financing (in thousands of dollars)

11-8240-0-7-551	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Program by activities:			
10.00 Total obligations (object class 25.0)	$ 0	$ 501	$1,000
Financing:			
21.40 Unobligated balance available, start of year	0	-1	0
24.40 Unobligated balance available, end of year	1	0	0
60.00 Budget Authority (appropriation) (permanent, indefinite)	0	500	1,000
Relation of obligations to outlays:			
71.00 Obligations incurred, net	0	501	1,000
72.40 Obligated balance, start of year	1	1	250
74.40 Obligated balance, end of year	-1	-250	-500
90.00 Outlays	$ 0	$ 251	$ 750

V. SUMMARY TABLES

Executive Office of the President
Office of National Drug Control Policy

Salaries and Expenses
ONDCP Operations

Object Classification (in thousands of dollars)

11-1457-0-1-802		FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
	Personnel compensation:			
11.1	Full-time permanent	$ 634	$ 4,406	$ 6,253
11.3	Other than full-time permanent	453	0	0
11.5	Other personnel compensation	122	153	193
11.8	Special personal services payments	67	144	144
11.9	Total personnel compensation	1,276	4,703	6,590
12.1	Civilian personnel benefits	208	847	1,186
21.0	Travel and transportation of persons	99	450	626
22.0	Transportation of things	16	72	30
23.1	Rental payments to GSA	468	1,671	1,342
23.3	Communications, utilities, & miscellaneous charges	271	1,067	2,108
24.0	Printing and reproduction	100	150	175
25.0	Other services (including research contracts)	432	2,214	3,561
25.0	Representation funds	0	7	7
25.0	High Intensity Drug Trafficking Areas	0	25,000	50,000
26.0	Supplies and materials	92	190	200
31.0	Equipment	496	578	675
99.0	Subtotal, direct obligations	3,458	36,949	66,500
99.0	Reimbursable obligations	63	0	0
99.0	Total obligations	$3,521[3]	$11,949	$16,500

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[3] Includes $63,400 from the Department of Justice for salaries of employees transferred from the Drug Policy Board.

Executive Office of the President
Office of National Drug Control Policy

Salaries and Expenses

Personnel Summary

11-1457-0-1-802	FY 1989 Estimate	FY 1990 Estimate	FY 1991 Estimate
Total number of full-time permanent positions	96	106	115
Total compensable workyears:			
Full-time equivalent employment	25	96	118
Full-time equivalent of overtime and holiday hours	1	2	3

NOTE: FY 89 and FY 90 FTE usage reflects partial year, start up and hiring activities of ONDCP.

Executive Office of the President
Office of National Drug Control Policy

Salaries and Expenses

Detail of Permanent Positions

11-1457-0-1-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
EX 1	1	1	1
EX 3	2	2	2
EX 4	1	1	1
SES	12	18	18
GS/GM-15	21	12	13
GS/GM-14	9	17	18
GS/GM-13	7	10	12
GS-12	7	6	7
GS-11	6	10	10
GS-10	5	4	4
GS-9	17	15	17
GS-8	4	2	4
GS-7	2	5	6
GS-6	1	2	1
GS-5	0	1	1
GS-4	1	0	0
Subtotal	96	106	115
Ungraded	0	0	0
Total permanent positions	96	106	115
Unfilled positions, end of year	25	5	9
Total permanent employment, end of year	71	101	106

Executive Office of the President
Office of National Drug Control Policy

Salaries and Expenses
High Intensity Drug Trafficking Areas

Object Classification (in thousands of dollars)

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
High Intensity Drug Trafficking Areas	0	25,000*	50,000*

Section 1005 of the Anti-Drug Abuse Act of 1988 authorizes the Director, ONDCP--after consulting with the Attorney General, the directors of other national drug control program agencies, and the appropriate State governors--to designate certain localities in the United States as "high intensity drug trafficking areas." In making such designations, the statute requires the Director to consider four criteria:

o the extent to which the area is a center of illegal drug production, manufacturing, importation, or distribution;

o the extend to which State and local law enforcement agencies have committed resources to respond to the drug trafficking problem in the area, thereby indicating a determination to respond aggressively to the problem;

o the extent to which drug-related activities in the area are having a harmful impact in other areas of the country; and

o the extent to which a significant increase in allocation of Federal resources is necessary to respond adequately to drug-related activities in the area.

In the January 1990 National Drug Control Strategy, the Director of ONDCP has designated five areas of the United States as high intensity drug trafficking areas: New York, Los Angeles, Miami, Houston, and the surrounding areas of these cities; and the Southwest Border of the United States. These areas have been designated because of the seriousness of their drug trafficking problems and the effects that drugs flowing through these areas have on other parts of the country. The five areas will receive Federal assistance through a variety of programs and Federal, State and local cooperative efforts.

*Shown in line 25.0 of salaries and expenses object classification.

Executive Office of the President
Office of National Drug Control Policy

Special Forfeiture Fund

Distribution (in thousands of dollars)

11-5001-0-2-802	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Prison Construction	0	109,000	0
National Drug Intelligence Center	0	0	86,000
Federal Drug Control Agencies Automated Data Processing and other activities authorized by P.L. 100-690	0	0	42,000
Total obligations	0	109,000	128,000

The Anti-Drug Abuse Act of 1988 created the Special Forfeiture Fund (SFF), administered by the Director, ONDCP. Under the provisions of that law, beginning in fiscal year 1990 there shall be deposited in the SFF not to exceed $150 million in unobligated amounts remaining at the end of each fiscal year from the Department of Justice Assets Forfeiture Fund. Although the SFF can receive up to $150 million, the FY 1990 appropriation was "not to exceed $115 million"; however, the Justice Department has estimated that only $109 million will be available for transfer in FY 1990.

For FY 1990, $109 million available to the SFF will be used for Federal prison construction as announced by the President in his May 1989 Crime Initiative, and as reiterated in the September 1989 National Drug Control Strategy.

Of the fiscal year 1991 request of $128 million, $86 million will be directed to the development of a National Drug Intelligence Center (NDIC). Sponsored by ONDCP, NDIC will be a jointly manned and managed law enforcement intelligence center with a very narrowly focused mission to dismantle major drug trafficking organizations and to improve U.S. and foreign government capabilities to combat drug traffickers and associated financial crimes. Specifically, the NDIC will:

- Bring together the collective information, data, and analytical potential of the participating law enforcement agencies.
- Produce the most comprehensive possible analysis of drug trafficking organizations and their support infrastructure.
- Create and maintain a state-of-the-art computer data base employing expert systems and progressive levels of security compartmentation.
- Disseminate comprehensive products and data on drug trafficking organizations to appropriate government elements having drug missions.
- Incorporate the Treasury Department's Financial Crimes Enforcement Network (FINCEN) into its permanent structure in an orderly way.

Rather than duplicating other information systems, the ONDCP plan builds on the FBI's existing Drug Information System. Of the FY 1991 request, $53 million is for construction and equipment-related expenses that do not recur in subsequent years. The NDIC will be managed by a Director under the supervision of the Attorney General and will report to an Oversight Board composed of the ONDCP and senior Department representatives from Justice, Treasury, Transportation, and Defense. The Board will decide the Center's priorities, policies, and resources and will adjudicate issues referred to it by Center management or the departmental representatives.

Creation of the NDIC is a prerequisite to progress in many areas. Without the full understanding that an NDIC would produce of the drug trafficking organizations, their infrastructure, and their finances, our overall efforts against them are far less likely to be effective.

The remaining $42 million requested in the Special Forfeiture Fund in FY 1991 will be directed for improvements in the automated data processing (ADP) capabilities of the Federal Drug Control agencies and other activities authorized by Public Law 100-690. The ADP effort will focus on integrating data from diverse sources with a view to achieving a comprehensive information strategy to improve our national drug control effort. Resources will be used to provide data access to multiagency data bases, support border control, the Financial Crimes Enforcement Center, International Operations, intelligence gathering and analysis, and domestic law enforcement.

Coordination of the ADP effort will be achieved through the Office of National Drug Control Policy's ADP Working Group.

The Administration has requested a change in the Special Forfeiture Fund authorization language to allow the Director to begin disbursement of the monies in the Fund during fiscal year 1990, rather than at the very end of the year, as provided by the current authorization.

VI. EXPLANATION AND JUSTIFICATION OF CHANGES BY OBJECT CLASS FOR FY 1991

Executive Office of the President
Office of National Drug Control Policy

Summary of Budget Authority by Object Class
FY 1989-1991
(in thousands of dollars)

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Net Change FY '90-'91
Personnel compensation:				
Full-time permanent	$ 634	$4,406	$6,253	+$1,847
Other than full-time permanent	453	0	0	0
Other personnel comp.	122	153	193	+ 40
Special personal services payments	67	144	144	0
Total personnel comp.	1,276	4,703	6,590	+ 1,887
Civilian personnel Benefits	208	847	1,186	+ 339
Total comp. & benefits	1,484	5,550	7,776	+ 2,226
Travel & trans. of persons	99	450	626	+ 176
Transportation of things	16	72	30	- 42
Rental payments to GSA	468	1,671	1,342	- 329
Comm., util., & misc. chgs.	271	1,067	2,108	+ 1,041
Printing & reproduction	100	150	175	+ 25
Other services (including research contracts)	432	2,214	3,561	+ 1,347
Representation funds	---	7	7	---
High Intensity Drug Trafficking Areas	0	25,000	50,000	+25,000
Supplies & materials	92	190	200	+ 10
Equipment	496	578	675	+ 97
Total direct program	3,458	36,949[a]	66,500	+29,551
Reimbursable obligations	63[b]	0	0	0
Budget Authority	$3,500	$37,000	$66,500	+$29,500

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[a] Includes $51,000 Gramm-Rudman-Hollings Reduction.

[b] Includes $63,400 transfer from the Department of Justice.

Executive Office of the President
Office of National Drug Control Policy

Net Change to Maintain Current Service & Request Levels
(in thousands of dollars)

FY '90	FY '91		Net Change
$5,550	$7,776	Personnel compensation & benefits	+2,226

Funds in this line item provide full-year salaries for 115 full-time permanent positions, temporary employees, including consultants; and overtime and holiday pay.

OFFICE OF THE DIRECTOR 6

GENERAL COUNSEL 4

Analyzes Federal, and State programmatic drug-related legislation.

CHIEF OF STAFF 7

General staff functions as follows:

SCHEDULING AND BRIEFING 3

Handles the Director's calendar, schedules meetings, arranges travel. Currently receiving over 250 invitations per week.

EXECUTIVE SECRETARIAT 7

Responsible for coordinating all ONDCP mail. Currently receiving over 1,500 pieces of correspondence per week.

PUBLIC AFFAIRS 5

Currently receiving approximately 500 calls and 100 requests for interviews per week.

CONGRESSIONAL RELATIONS 7

Responsible for maintaining liaison with the 74 Congressional committees and subcommittees with jurisdiction over ONDCP activities.

NATIONAL SECURITY AFFAIRS LIAISON 9

Represents ONDCP with the National Security Council and chairs NSC meetings on drug matters. Contact point for drug intelligence matters with the National Foreign Intelligence Community, and develops international component of the National Drug Control Strategy.

PLANNING, BUDGET, & ADMINISTRATION 3

PLANNING 7

Responsible for providing policy analysis and for overseeing the development of the National Drug Control Strategy. Responsible for coordinating the results of the consultation process with Federal drug control agencies, State and local governors, and reviewing all Federal proposed regulations and all Federal data collections related to drugs.

BUDGET & LEGISLATIVE REVIEW 8

Responsible for overseeing the consolidated National Drug Control budget, analyzing and certifying all Federal agency budgets to ensure their conformity with the National Drug Control Strategy, recommending to the Director appropriate action on drug-related reprogrammings and transfers, and reviewing all proposed drug-control legislation and agency testimony.

ADMINISTRATION 9

Responsible for providing administrative support services such as internal mail delivery, contracting for and overseeing telephone computer support, space and facilities management, building security, liaison to the Executive Office of the President, Office of Administration in the areas of personnel, procurement, financial management and records management. Responsible for ONDCP budget development and execution.

DEPUTY DIRECTOR FOR SUPPLY 11

Responsible for providing coordination, oversight, and leadership government-wide in the areas of law enforcement -- Foreign & Domestic Investigations, Judicial and Corrections, Banking & Finance; International -- Eradication/Substitution, Multilateral Plans/Bilateral Programs; Interdiction -- Aviation, Maritime, Land; Intelligence -- Foreign, Domestic.

DEPUTY DIRECTOR FOR DEMAND 12

Responsible for providing coordination, oversight and leadership for Prevention -- Schools, Colleges, and Universities Community Groups, Workplace, Treatment/Intervention -- Youth, Adults, Corrections, Medicine and Public Health.

ASSOCIATE DIRECTOR, STATE AND LOCAL AFFAIRS 13

Responsible for providing coordination, oversight and leadership in State and local government liaison for numerous State and local governments and their drug-related agencies in the areas of supply and demand. Also responsible for private sector liaison with individuals and organizations throughout the United States, as well as liaison with law enforcement and treatment/intervention groups nationwide.

ONDCP REGIONAL OFFICES

Miami, Houston, Los Angeles/Long Beach. Staffed with detailed employees. Responsible for providing local liaison.

FY '90	FY '91		Net Change
450	626	Travel and transportation of persons	+176

The requested funds will cover the full-year cost of travel for a full complement of ONDCP staff, regional staff and invitational travel.

Four PAS appointees serve in ONDCP. These employees are expected to travel frequently throughout the United States and in some instances internationally. When these individuals travel, they require not only travel expenses but some security expenses. We also provide invitational travel for consultation, some of which is required by our legislation, and travel costs for regional staff.

FY '90	FY '91		Net Change
72	30	Transportation of things	-42

This decrease is accounted for by a one-time move in FY 90.

FY '90	FY '91		Net Change
1,671	1,342	Rental payments to GSA (SLUC)	-329

This amount reflects the full year cost of a new office space at rates established by the General Services Administration for office space in the Washington, D.C. central business district. This amount also includes rent for 3 regional locations. This amount represents a decrease from FY 90 due to one-time costs of space build-out.

FY '90	FY '91		Net Change
1,067	2,108	Communications, utilities, and miscellaneous charges	+1,041

This amount will fund the full-year cost of telephone service, telecommunications, postage, the lease of copier equipment and personal and building security for both the Washington, D.C. and 3 proposed regional locations.

FY '90	FY '91		Net Change
150	175	Printing and reproduction	+25

This amount will provide for basic printing needs and for the publication (as required by law) of the National Drug Control Strategy, the Consolidated National Drug Control Budget, and legislatively mandated studies and commission reports. In addition, ONDCP will likely issue periodic reports to the public on the topics of law enforcement, drug treatment and drug education programs. Other possible activities may include newsletters to promote coordination between Federal agencies and State and local governments.

FY '90	FY '91		Net Change
2,214	3,561	Other services	+1,347

This amount will fund a wide variety of contract services including ADP software development, commercial automated research services, equipment maintenance contracts, personnel training, conference attendance fees and security clearance expenses.

FY '90	FY '91		Net Change
190	200	Supplies and materials	+10

These funds will pay for the estimated full-year cost of acquiring supplies, materials, and publications for ONDCP.

FY '90	FY '91		Net Change
578	675	Equipment	+97

This amount will provide for the purchase of required office equipment, such as PCs, ADP equipment and secure communications equipment.

$11,949	$16,500	Total all object classes	+4,551
$25,000	$50,000	HIDTA	+25,000
$36,949	$66,500	Totals S&E	+29,551

WEDNESDAY, APRIL 4, 1990.

OFFICE OF MANAGEMENT AND BUDGET

WITNESS

RICHARD DARMAN, DIRECTOR

Mr. ROYBAL. Let the meeting come to order. The committee is in session this morning to hear from the Office of Management and Budget. I invite Richard Darman to proceed in any manner that he may desire.

Mr. DARMAN. Thank you, Mr. Chairman. I have a very brief statement, which I think it might be useful if I would read it with your permission.

Mr. ROYBAL. Please.

[The information follows:]

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

INTRODUCTORY STATEMENT:

PRESENTED BEFORE

THE HOUSE COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON TREASURY, POSTAL SERVICE
AND GENERAL GOVERNMENT

BY

RICHARD DARMAN

DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

APRIL 4, 1990

Mr. Chairman, Congressman Conte, Congressman Skeen and Distinguished Members of the Subcommittee:

It is a pleasure to present the FY 1991 budget request of the Office of Management and Budget. The President's request proposes $49,305,000 for OMB. (I would note, as an aside, that this might be compared with $454.9 million for GAO and CBO. That is, GAO and CBO, whose functions are in many ways similar to OMB's, have a combined budget that is almost ten times OMB's! Further, both GAO and CBO have asked for larger percentage increases than OMB has. In fact, GAO has asked for an increase -- $69.5 million -- that substantially exceeds OMB's entire budget!)

For FY 1990, OMB requested, and you approved, increased resources for additional staffing, primarily for management functions. This additional staffing was and is necessary to improve OMB's oversight of Federal agencies to ensure program integrity and effective management. OMB is currently hiring the additional staff, and is not now proposing to increase staffing above the FY 1990 level.

Last year, when I testified before the Subcommittee, I said that more attention needed to be directed to strategic planning, major program implementation, program oversight and evaluation, and longer term investment issues. I talked about the need to reform the budgetary treatment of Federal credit programs and to agree upon a set of principles for scoring the budgetary impact of various actions or proposals. I also said that I wanted to establish a better system for tracking policy initiatives and priorities through a simple Management by Objectives (MBO) system. OMB is moving forward on all of these fronts.

For FY 1991, much of OMB's requested increase is intended to ensure that staff have the necessary systems and equipment to do their jobs effectively. OMB is requesting $2,757,000 for improved budget and financial information systems and office automation. OMB must modernize the budget and financial information systems used in formulating the President's budget. These systems, which have not been substantially updated since they were established in the 1960's, simply cannot perform the necessary data analysis without long turn-around times and burdensome programming. The systems have not satisfactorily adapted to changes in the budgeting process, such as the requirements created by Gramm-Rudman-Hollings. In addition, OMB must be able to track management improvement efforts in high-risk areas and monitor the MBO system established last year.

OMB is requesting an increase of $2,238,000 in personnel funds to maintain the FY 1990 staffing level of 577 FTEs. Over 70 percent of OMB's budget is spent on personnel costs. Another 11.5 percent is for rent payments to GSA. OMB is requesting an increase of $253,000 to pay higher GSA rates for office space. OMB is not proposing to use more or better space. The increased cost reflects what is simply a GSA rent increase for current space.

It should be noted that, in nominal terms, OMB is requesting less funding for travel, communication/utilities and printing, and is using less space, than OMB had in 1981.

Thank you for the opportunity to present our views. I look forward to continuing to work cooperatively with the Committee, and would be happy to address any questions the Committee may have on either the OMB budget or the larger budgetary issues for which OMB is responsible.

INTRODUCTORY STATEMENT

Mr. **DARMAN**. Mr. Chairman, distinguished members of the subcommittee, it is a pleasure to present the fiscal year 1991 budget request of the Office of Management and Budget. The President's request proposes $49.3 million for OMB. I would note as an aside that this might be compared with $454.9 million for GAO and CBO.

That is, GAO and CBO, whose functions are in many ways similar to OMB's have a combined budget that is almost ten times OMB's.

Further, both GAO and CBO have asked for larger percentage increases that OMB has. In fact, GAO has asked for an increase, $69.5 million, that substantially exceeds OMB's entire budget. For fiscal year 1990, OMB requested, you approved, and we appreciate that you approved, increased resources for additional staffing, primarily for management functions.

This additional staffing was and is necessary to improve OMB's oversight of Federal agencies to insure program integrity and effective management. OMB is currently hiring the additional staff and is not now proposing to increase staffing above the fiscal year 1990 level.

Last year when I testified before the subcommittee, I said that more attention needed to be directed to strategic planning, major program implementation, program oversight and evaluation, and longer term investment issues.

I talked about the need to reform the budgetary treatment of Federal credit programs and to agree upon a set of principles for scoring the budgetary impact of various actions and proposals.

I also said that I wanted to establish a better system for tracking policy initiatives and priorities through a simple management by objective system.

OMB is moving forward on all of these fronts.

For fiscal year 1991, much of OMB's requested increase is intended to insure that staff have the necessary systems and equipment to do their jobs effectively. OMB is requesting $2.7 million for improved budget and financial information systems and office automation. OMB must modernize the budget and financial information systems used in formulating the President's budget.

These systems, which have not been substantially updated since they were established in the 1960s simply cannot perform the necessary data analysis without long turnaround times and burdensome programming.

The systems have not satisfactorily adapted to changes in the budgeting process, such as the requirements created by Gramm-Rudman-Hollings.

In addition, OMB must be able to track management improvement efforts in high risk areas, and monitor the MBO system established last year.

OMB is requesting an increase of $2.2 million in personnel funds to maintain the fiscal year 1990 staffing level of 577 FTEs. Over 70 percent of OMB's budget is spent on personnel costs. Another 11.5 percent is for rent payments to GSA. OMB is requesting an increase of $253,000 to pay higher GSA rates for office space. OMB is not proposing to use more or better space. The increased costs reflects what is simply a GSA rent increase for our current space.

It should be noted that in nominal terms, OMB is requesting less funding for travel, communication and utilities, and printing, and is using less space than OMB had in 1981.

I thank you for the opportunity to summarize our request and look forward to continuing to work cooperatively with the committee.

I would be happy, Mr. Chairman, and distinguished Members to address any question the committee may have on either the OMB budget or the larger budgetary issues for which OMB is responsible.

I might note as a concluding aside that, if we do not soon negotiate a solution to the larger budgetary problems, we will all be facing a sequester of $40 billion or more. That, of course, would render most of our discussion here today academic, but on the assumption that, at some point or other the political system will do what it ought to do, I look forward to our discussion today, Mr. Chairman.

INCREASES IN OMB BUDGET

Mr. **Roybal**. Thank you, Mr. Darman.

We would like to go over your budgetary request for just a moment. I see that you have requested an increase this year of $4.9 million.

Mr. **Darman**. Right.

Mr. **Roybal**. Let's use a figure of $5 million in order to make things even. Of that, you have stated that $2.2 million is for personnel, to maintain the present level; and then $253,000 to pay for higher rent, which you have indicated are mandatory increases.

That is $2.5 million. Where is the rest of the money going to be used?

Mr. **Darman**. The largest additional item is for the systems improvement, another $2.2 million that I mentioned.

Mr. **Roybal**. What kind of systems improvement are we talking about?

Mr. **Darman**. Getting our computer systems so that they can operate faster, be programmed more easily, interconnect with each other within OMB and interconnect with the agencies, handle more data, do it more efficiently, have quicker turnaround time.

As I tried to suggest in my opening statement, these systems have not been updated to get us close to the modern world. My wife has a better system at home for her work as a writer then we have in OMB. It is ridiculous. It is not ridiculous she has a good system at home, it is ridiculous that we do not have one.

I would recommend, Mr. Chairman, if you have any doubt, I would just be delighted to take you to lunch, stop over next door, the EOB, we are treated to third class style over there. It is not the top of the line.

Mr. **Roybal**. I can well understand that, because the House Committee on Appropriations until not too long ago, did not have even a small computer in the office.

Mr. Darman. It's amazing, isn't it? Right now, we are going over to Eastern Europe, telling them how to better run their parliamentary systems and advising them on data processing systems, some of which we do not have.

Mr. Roybal. What we need, of course, is state-of-the-art equipment so that the work can be done most efficiently, and I think that increase for good equipment is more than justified.

But I have also seen that OMB has allowed nearly every agency under the jurisdiction of the subcommittee, including your own, an increase over fiscal year 1990, all except Customs. Why doesn't OMB like Customs?

CUSTOMS FUNDING

Mr. Darman. Mr. Chairman, when I was at Treasury, I used to ask that question.

I don't think that it is a question of not liking Customs. We did give Customs an increase for its drug-related enforcement activities. We do believe that there are opportunities for greater efficiency in Customs, partly through improved application of systems, and you save on some personnel costs. There is no negative view that I am aware of, of Customs.

Mr. Roybal. But throughout the years, Customs has always been reduced. In this budget, you do provide more money for drugs, but you take it out of Customs. You are recommending a reduction in personnel in Customs of 314 positions, as an example. I see very little justification in something like that.

You allowed an increase for salaries and expenses for Customs of $57.5 million, and then reduce the personnel by 314 positions. The justification materials submitted to the subcommittee indicates that the personnel reduction will be as follows. I am doing this to put it in the record: "162 investigative agents; 22 aviation interdiction support; 105 investigators and patrol officers."

The question that comes to mind is how can these reductions be justified when the Administration is claiming, as we all are, that fighting drugs is a top priority.

How can we fight in a war when we are reducing the very agency that is supposed to lead the charge with regard to the interdiction of narcotics?

Mr. Darman. Mr. Chairman, I am not questioning your numbers, but it is a little—let me provide a slightly different perspective to complement what you suggest.

It seems to me that it is at least noteworthy that we propose an additional $5.4 million for 23 canine teams and expanded canine training facilities; $1.6 million for in depth criminal investigations; $10 million for increased inspections at entry points along the southwest border; $8.9 million for an expanded flying hour program.

I've got a long laundry list I would be happy to submit, if it would be helpful, of things that are offered in the way of increases. We do have and have had one problem that I know is of interest to you and the committee, concerning the administratively uncontrolled overtime, and how the increased expense associated with that would be offset, and I think, not in the drug area, but in other areas of Customs. Customs and some other agencies were victims of absorbing some of that increase.

CUSTOMS STAFFING

Subsequent to our submission of the budget, as we have looked at that problem, we have tried to look for opportunities to reprogram within these accounts so that, to the extent there was a reduction caused by that, it would not have to be either so severe or taken at all.

I know and you know that your counterparts on the Senate side have suggested taking money out of the Drug Czar's forfeiture funds, sometimes known as the slush fund, and using that as a way to alleviate some of the problem that you might be referring to.

Mr. **Roybal**. Again, the facts are that Customs is being required to absorb a substantial part of the mandatory increased costs such as pay raises, health benefits, administratively uncontrolled overtime—all that they must absorb.

Then moneys that are made available, for an example, the $5.4 million that you have indicated, $1.6 million for other things, that is, for the so-called war on drugs that is coming out of their hide. So what are we doing?

Mr. **Darman**. They are the beneficiaries as well.

Mr. **Roybal**. Of what?

Mr. **Darman**. The increases. The drug increases are also in Customs.

Mr. **Roybal**. But none of this is new money.

Mr. **Darman**. That depends how you count. It's new activity.

Mr. **Roybal**. Where did it come from? It has to be paid from somewhere.

Mr. **Darman**. I'm not quarreling with you that some of it is absorbed out of other Customs accounts.

Mr. **Roybal**. Sure. And then the reduction of 314 positions weakens Customs down the line. That reminds me of the time that we took agents from all over the country and put them in Miami, because we are going to stop all of the drugs coming into Miami. These fellows trafficking in narcotics, they are not dumb, instead of coming through Miami, they went through New York and went to Los Angeles, because we took agents from those two places and put them in Miami.

Now I do not see that we have gained anything by doing anything like that. And every time that any OMB recommendation is made with regard to Customs, it is always a reduction. I think a few years ago was 1,700 positions, was the recommended reduction for Customs.

Mr. **Darman**. Well, we are moving in the direction you should like.

Mr. **Roybal**. But we are not, because you are making things worse. If this committee had not put those 1,700 back in again, where would it be today? How can we fight something without the personnel that is required to do the fighting? You can't fight a war without soldiers.

Mr. **Darman**. Let me go back to your initial question on this subject, if I might, Mr. Chairman. You asked whether OMB, we generally do not like Customs, and I tried to assure you that is not the issue.

Frankly, this year, we did not get into a substantial argument with Treasury on this question, and when the Drug Czar was exploring all the areas that needed increased attention, I don't think that Customs was as high on his priority list as some other things were, and we had some substantial differences between OMB and the Drug Czar over some of these questions of priority, but there really wasn't that much of an argument within the Administration that Customs should have a substantial increase.

It has a modest increase, as you point out, for some of the drug functions, offset with some measure by others.

Mr. ROYBAL. Mr. Darman, I can well understand that because at one time, it was proposed by the Administration to merge Customs and Immigration.

Mr. DARMAN. I remember. I was with the Justice Department in early 1973, and we had a shooting incident, Customs and INS shooting at each other.

Mr. ROYBAL. So I can well understand why Customs can be the victim of all of these things. With a person in my position, the first thing that comes to my mind is, why doesn't OMB like Customs?

Mr. DARMAN. It is not in that vein.

USE OF FORFEITURE FUND FOR CUSTOMS

Mr. ROYBAL. Maybe I should not have phrased it that way Mr. Darman, but the thing is, Customs is still the victim. You mentioned the Drug Czar. He told us that he would try to allocate funds from the forfeiture funds to Customs, so that Customs would not lose the 314 positions.

Mr. DARMAN. I am glad to hear that.

Mr. ROYBAL. Now I am asking you a question.

How can that be done when the funds in the forfeiture fund will not be available under existing law until the last day of the fiscal year?

Mr. DARMAN. I guess we would need to have advanced appropriation. How are we going to do that?

I guess we would need a statutory change to allow us to apportion the money in advance of it actually being in the account.

Mr. ROYBAL. Do you mean Congress has to change the law then?

Mr. DARMAN. You can do it just in the appropriation bill.

Mr. ROYBAL. Mr. Darman, we do not normally legislate in an appropriation bill.

Mr. DARMAN. Mr. Chairman, we know you never legislate in appropriation bills, but every now and then we find it extremely convenient to use the appropriations.

Mr. ROYBAL. Now that you have the official policy, what do you recommend that can be done in order to accomplish it?

Mr. DARMAN. I did not know that the Drug Czar had actually approved this. I knew we were discussing it with him, and I personally think that it has merit.

Mr. ROYBAL. All right.

Mr. DARMAN. The center that he was proposing to fund with the money in the forfeiture fund has, I gather, been questioned somewhat by the Congress, and I think it may well be this would be a better use of the money.

Mr. **Roybal**. All right. Mr. Skeen?

Mr. **Darman**. And we will be happy to provide the language. The one thing that I did not know was that he had now agreed to that.

Mr. **Roybal**. Let me move on and we will look at the language. Thank you. Mr. Skeen.

[The information follows:]

Department of Justice Assets Forfeiture Fund

The language under this heading is amended by adding after the word, "Fund": "Provided, that 28 U.S.C. 524(c)(9) is amended by deleting the second sentence and inserting the following: "For each of fiscal years 1991, 1992, and 1993, the Attorney General shall transfer not to exceed $150,000,000 in unobligated amounts available in the Fund to the Special Forfeiture Fund: *Provided*, That, such amounts will be transferred on a quarterly basis: *Provided further*, That an amount not to exceed $15,000,000 or, if determined by the Attorney General to be necessary to meet asset specific expenses, an amount equal to one-tenth of the previous year's obligations, may be retained in the Fund and remain available for appropriation."

OFFICE OF NATIONAL DRUG CONTROL POLICY SPECIAL FORFEITURE FUND

The language under this heading is amended by adding after the first proviso: "*Provided further*, That funds deposited into the Special Forfeiture Fund may be transferred to Federal agencies and departments for the purpose of executing the National Drug Control Strategy: *Provided further*, That section 6073(b) of the Anti-Drug Abuse Act of 1988 (Public Law 100-690) is amended to read as follows:

"(b) Deposits—In each of fiscal years 1991, 1992, and 1993, there shall be transferred to and deposited in the Fund, from the Department of Justice Assets Forfeiture Fund pursuant to 28 U.S.C. 524(c)(9), not to exceed $150,000,000: *Provided*, That amounts specified in the second proviso of said section may be retained in the Assets Forfeiture Fund and remain available for appropriation."

OFFICE OF NATIONAL DRUG CONTROL POLICY SALARIES AND EXPENSES

The language under this heading is amended by inserting the following after the word "Areas": "and which may be transferred to Federal agencies and departments for the purposes of assisting such designated areas".

Mr. **Skeen**. Thank you, Mr. Chairman.

Dick, it is good to have you here, because it means we are about to wind this up.

Let's get back into this business, because I think that when the Drug Czar was here, he commented on the use of the forfeiture funds. So evidently everybody has found a great use for the forfeiture fund, only we are not sure what we are doing with it.

IMPACT OF PAY RAISE ABSORPTION

We have a lot of agencies within Treasury that have a financial problem because of uncontrollable personnel costs, such as uncontrollable overtime, coops and so on, and, in effect, something else that we have talked about this morning, is your data processing expenditures for these various agencies. What they tend to do is take money out of automation and put it in personnel.

Has there been any thought to making a hardbound appropriation suggestion from OMB about levelling this thing off somewhere where we are not robbing them from one, to keep our personnel accounts current? Because that is the first priority of most of these agencies.

But we are getting in terrible shape, just as you are, on data processing, and I think that keeping the personnel and keeping their funding active and up to date is extremely important, but somewhere along the line we are going to face a tremendous crisis in data processing, because we keep sifting those funds out and back into personnel.

Mr. **Darman**. I agree with you that it is a problem. You may note that at OMB we decided to hold personnel level and to put the incremental money that we requested into systems, even though we really do need both people and systems.

At the margin now, we are at a point where I think it's more important to put the money into systems, given that we cannot do both.

The way to protect it budgetarily, of course, if I may say, it is with your control. We can propose, but you are the one——

Mr. **Skeen**. We have to dispose.

Mr. **Hoyer**. You are just a player.

Mr. **Darman**. We are sometimes not even a player.

Mr. **Skeen**. Do not editorialize.

Mr. **Darman**. We hardly have any effect at all.

Mr. **Skeen**. That's quite all right. I will yield to you. But we are going to have to get into some baseline funding somewhere, a system of some kind or another.

CAPITAL INVESTMENTS

Mr. **Darman**. What we tried to do this time in the budget is to pull out quite a number of the systems investments and put them in a category of their own and highlight them and say that they are important and say why we thought so, and try to help assure that they get attention and get funding.

I think until we switch the basic budgeting system, which we are also working on, to one that has some way of accommodating capital expenditures, not just physical capital, I may say, but also human capital and intellectual capital, until we do that, the only protection we have is your wisdom in deciding that you want to put the money in a line.

Mr. **Skeen**. I think that is a correct statement, and I appreciate you attributing some wisdom to this, because I think it is going to take a combination of both, and the impetus has to come from us. I do not know how you initiate it or how you do it, but somewhere in this unmalleable system we call the appropriation process, we are going to have to come to grips with this thing and face up to them, and I think we are going to have to have a lot of good advice from people such as yourself to get this thing done, because it cannot go on like this, or we are going to find ourselves—we are already in deep trouble with some of the ways we fund these things.

Mr. **Darman**. There is, as you and I have discussed before, a real problem with the fact that the way the current budget exists and works, which creates an incentive for people always to make only marginal changes in these systems, and a combination of marginal changes in the systems can produce really poor systems, and we have seen some of that over the years at Social Security and IRS and Defense where they just keep tinkering rather than make a big investment in a more comprehensive reform.

But the current budgeting system discriminates against big investment, because you get charged up front for all of the BA, and that is why I say I do not think we will be well on the road to fixing this until we also change the budgeting system, but that is going to take time in its own right.

Mr. **Skeen**. Yes, with our record on reforming something.

Mr. **Darman**. Right. I have been exploring the extent to which we could reform it on our own.

Mr. **Skeen**. If you could do it without calling it reform, it would probably be helpful.

RESIDENCE OF THE VICE PRESIDENCY

We keep throwing large sums of money into this so-called temporary residence of the Vice President. What are we doing to finally resolve this property situation on a permanent basis? I know that the Navy still owns it, but that is getting to be a real problem, a perennial problem, year after year.

We keep throwing more money and trying to revive or make the place livable. Have you had any thoughts on it?

Mr. **Darman**. I don't know what we are doing about the permanent one, I know what we are doing about the temporary.

Mr. **Skeen**. The temporary; that is the one I am talking about.

Mr. **Darman**. Okay. On the temporary one——

Mr. **Skeen**. I did not know we had a permanent one.

Mr. **Darman**. To the best of my knowledge we did have one.

Mr. **Skeen**. Okay.

Mr. **Darman**. On the so-called temporary one, which I assume we may have for quite a length of time——

Mr. **Skeen**. Evidently we have enough invested in it now.

Mr. **Darman**. Actually, though, if the country is going to have a residence for the Vice President, as I think it is appropriate that we do, then we ought to at least have it in a respectable condition. I do not know if you visited it lately, but if you do visit it, and you just walk up those front stairs, it is like going into a—it's nice in a way. I mean, it's charming. It's like going into an old rundown New England farm house.

The stairs are falling in, the ceilings are all cracked. You have cracks coming down the walls. It looks like the water leaks through the ceilings and in the corners. Obviously, they do not entertain on the second and third floor, but it is definitely not an impressive residence.

I have supported the request for the improvement that is in the budget, but I have also asked John Rogers, who used to work with me at the White House and at Treasury, and is known to this Committee, because he has testified before you several times, but who is now a private citizen; he helped set up the restoration funds for the Old EOB, the White House and the Treasury with private funding, and I have had him meet with the chief of staff—excuse me, the Vice President's wife, Mrs. Quayle.

To discuss how they could use the same model and set up a fund to complement what would be done publicly and work with this Committee to decide what is the appropriate division. What is legitimate to be funded publicly, and what kinds of things ought more properly to be done with private funding?

Mr. **Skeen**. There is an awful lot of basic structure problems.

Mr. **Darman**. The structural problem, I think, should be handled with public money. The appointments which are on the inside also are not really commensurate with the office, I think should be handled with private money, and have to be done in a way that it proves not just to the benefit of the current Vice-President, but obviously in a trust so that whoever is Vice-President at any time, it becomes the property of the public, in effect.

Mr. **Skeen**. We have this recurring expenditure, and it seems like we are plowing the same ground. We will leave that, and let's go back to Customs.

CUSTOMS CARGO CONTAINER INSPECTION

Some of the programs are not fully funded such as the container cargo program, and we gave them increased funds last year, but it was not fully funded this year. Can you give us a reason for not fully funding that?

Mr. **Darman**. I did not know that we did not fully fund it.

Mr. **Skeen**. This is my information.

Mr. **Darman**. Let me see if I can find that, if we have a good reason. I did not know that we did not do that, and I do not know what the reason would be. I am sorry, it has not come to attention.

Mr. **Skeen**. That's all right. I think if you send us a note on it or something, I would appreciate it, because we would like that.

Mr. **Darman**. No. There is no doubt there is a lot of diversion to cargo traffic, and I thought we were giving greater emphasis to containerized cargo.

Mr. **Skeen**. Evidently it struck somebody that it was not fully funded this year for some reason or another.

Mr. **Darman**. I am sure you may be right, I just did not know about it.

[The information follows:]

23A

Customs Cargo Container Inspection Staffing

Q: Has the Administration proposed cutting Customs Cargo Container inspection staffing below 1990 enacted levels?

A: Because Congress required 100% absorption of 1990 pay raise costs and a GRH sequester as well, the 1990 Cargo Container Enforcement Initiative (435 FTE) enacted by Congress was not fully funded. Relative to 1990 funded staffing levels for Customs, the 1991 Budget does not cut staffing for either total or drug enforcement related cargo inspections.

Funding for the cargo examinations program (which includes funds for container inspections) is split between Customs enforcement programs (which include canine units) and Customs commercial programs. Over the 1989-1991 period, Customs enforcement staffing for cargo examinations more than doubles (a 571 FTE increase).

CARGO CONTAINER STAFFING
(FTE in workyears)

	1989	1990	1991	Change 90-91
Cargo Enforcement				
Cargo Exams	295	648	812	+164
Canine Enforcement	184	219	238	+19
Total Customs Enforcement	479	867	1,050	+183
National Guard FTE	194	485	561	+76
TOTAL FEDERAL ENFORCEMENT	673	1,352	1,611	+259
Customs Commercial Cargo	4,078	3,895	3,778	-117
TOTAL CUSTOMS CARGO	4,557	4,762	4,828	+66
TOTAL FEDERAL CARGO	4,751	5,247	5,389	+142

Customs Service has also recruited the National Guard to enhance cargo container inspection capabilities. Guardsmen are working at the ports hand-in-hand with Customs inspectors in intensive container searches. This has enabled Customs to significantly increase the volume of containers searched at many ports.

In addition to this National Guard augmentation, Customs believes that planned internal reallocations of its cargo examinations staff will significantly increase container searches at high-risk smuggling ports and thus achieve the 1990 Cargo Container Initiative's objective.

Note: Cargo Examination staffing in Customs Commercial programs (which excludes drug enforcement) declines over the 1989-1991 in response to (1) sequester, pay raise and AUO absorptions and (2) recent investments in the labor-saving Automated Commercial System. However, total 1991 Customs cargo exam staffing increases 66 FTE above funded 1990 levels.

DRUG FUNDING

Mr. **Skeen**. We would like that. In the overall sense, in this whole drug thing—and I know the Chairman is focussed on drugs, and I have a problem with how are we bracketing the entire so-called War on Drugs Program? I think it probably reflects, if you took it in total, you would have a marked increase in the kinds of funding that have gone into this, directed into these kinds of programs, be they DEA, other law enforcement agencies, as well as Customs. Would you assume this to be a fact? Do you know it to be a fact?

Mr. **Darman**. That there is a big increase?

Mr. **Skeen**. That there has been a big increase.

Mr. **Darman**. It is about 41 percent that we propose.

Mr. **Skeen**. Forty-one percent.

Mr. **Darman**. In outlays. It is not that large in budget authority, though, but it is still big.

Mr. **Skeen**. Yes.

Mr. **Darman**. The reason it is not so big in budget authority is that we had a big increase the previous year in prisons, that is not recurring in the same manner. But there is no doubt there is a very major increase, enormous increase.

NATIONAL CRITICAL MATERIALS COUNCIL

Mr. **Skeen**. One last question, Dick, and this is the National Critical Materials Council. We funded this council about a half a million dollars, and the staffing at five FTEs, and today they have not met their staffing levels on this thing. I wonder, is there some anticipation that you have knowledge of when they're going to meet their staffing levels? You included some funding for this fiscal year 1991, and I have a particular interest in this. We helped set it up for the original funding.

Mr. **Darman**. I do not know about it not getting staffed up.

Mr. **Skeen**. They did not share that intelligence with you?

Mr. **Darman**. No. I know about the problem, and I know the differences we've had over the years with Congress on that Council, but I thought we were sort of on our way to resolving it.

Mr. **Skeen**. They are dragging their feet on getting this thing operational.

Mr. **Darman**. We have never been exactly enthusiastic about this.

Mr. **Skeen**. I know, mainly because we hadn't explained it to you.

Thank you very much for your responses.

Mr. **Darman**. Thank you, Mr. Skeen.

Mr. **Roybal**. Mr. Hoyer?

Mr. **Hoyer**. We are all very enthusiastic like Mr. Skeen on this subcommittee.

Mr. **Skeen**. Yes.

PAY ABSORPTION

Mr. **Hoyer**. Absorption. As I understand it, 50 percent of the 3.5 percent requested is to be absorbed by the department. Am I correct that absorption will cost you 14 employees and you are adding 14 employees?

Mr. **Darman**. I think it would cost us 17, but you may be correct. I am going from memory. Sixteen.

Mr. **Hoyer**. And you are adding 14?

Mr. **Darman**. I thought we were adding the same amount, adding and subtracting.

Mr. **Hoyer**. Okay. I thought it was 14 and 14, but it's 16 and 16.

Mr. **Darman**. You can construe that that is just bookkeeping. In a sense, you could say we are not absorbing.

Mr. **Hoyer**. That's good. That is what I want to say.

Now, having said that, we really ought to do away with this absorption business. It just does not make any sense. It is dishonest. It is unfair to our employees. I think you and I had this discussion before. Are we moving towards that at all?

Really, I think you made some good comments in the budget presentation. We ought to be honest and up front. It is going to cost us X dollars to keep good people, and it is really going to cost us more in the future to recruit good people. We want to do it straight out.

Mr. **Darman**. I am inclined to think that. It is an arbitrary rule, and it might make sense in the aggregate, but there is no obvious reason that it makes sense case by case, and agencies do vary, and they should be able to vary in terms of their decision on what they want to do with a given amount of budget.

We are trying to be more flexible in the way we apply it, case by case by case by case.

Mr. **Hoyer**. When you say flexible in the way you apply it, I understand the agency does have the option of how it is absorbed. Is that what you mean?

Mr. **Darman**. Not only that. I mean, you can also vary how much money you are going to be putting in for personnel, along with the absorption rule.

Mr. **Hoyer**. Yes, but let's say we do it at 3.5 percent—and I have a feeling we may be pretty close to what the President recommends this year.

Mr. **Darman**. What really matters, though, is what is the total dollar amount, not just what is the 3.5 percent, but what is the total dollar amount allocated for personnel, line by line, area by area?

Mr. **Hoyer**. Right.

Mr. **Darman**. Because in the end, that is telling you how many people you have to have.

Mr. **Hoyer**. Both of us do this, the Congress does it and the Administration does it, but we ought to get away from this bookkeeping absorption, false savings in effect, because one thing a subcommittee can do that has a 302B problem, they say we will have 100 percent absorption, and that means that we have 50 percent of whatever the personnel increment would be in that agency, in addition.

I point out your agency is, although it may not be a parallel decision, it really looks like a parallel decision—16 out and 16 in.

Mr. **Darman**. No. Ours is, as I say, I read over our own presentation of this, and if I were writing it myself, I would have said we are just absorbing, we are just keeping the same number of people at a higher price.

Mr. **Hoyer**. Right. And then that makes sense.

BUDGETING FOR FEDERAL BUILDINGS

The second question I want to deal with, and I think this is also somewhat of an honesty in budgeting, and also correctly budgeting, and that is this whole business of how we are amortizing construction, and what makes the most sense in terms of the best dollar value for the Federal Government, and how you are imposing on us what I think to be an unreasonable 302(b) constraint in a given year, using Archives as an example—I am obviously interested in that, that is in Maryland; the Chairman will tell you it is in Prince George's County, particularly.

We have done that, we are going to amortize it over 26 years, but you are suggesting that we take the 302(b) hit in two years. Three years?

Mr. **Skeen**. Three.

Mr. **Hoyer**. Three years. Now why does that make sense? You would not run your business that way.

Mr. **Darman**. No. On the particular building you are talking about, I have to recuse myself, because one of the financing proposals is from my former firm, so on that building and a couple of others that are on the list that have been the source of a quite a bit of attention and interest, I am not able to speak to the particular case, but on the general rule.

Mr. **Hoyer**. Maybe you can tie your answer in. March 29, the President sent down, says he concurs with your thoughts on this, and I presume it came out of your shop. Is this proposal for $1.3 billion for GSA, and $270 million for State Department, which deals with, I suppose, pre-funding some of the construction work that needs to be done.

Mr. **Darman**. Right.

Mr. **Hoyer**. But rather than as the State of Maryland would do, capitalize that over 20 or 30 years, useful life of the building, which is much more honest than what we're doing in terms of amortizing your salary and my salary, because the next generation is not going to use that salary, they will use the building.

But, as I understand it, we are imposing those costs on this generation.

Mr. **Darman**. It is the way our current accounting system works. The budget authority is what is getting charged, not the outlays. The outlays are as they occur. The budget authority is being scored up front because the obligation is incurred up front.

Mr. **Hoyer**. I thought I understood it differently. As I understand Archives, you want to score the outlays over three years, when they're going to be incurred over 26.

Mr. **Darman**. That, unfortunately, is a case that I am not——

Mr. **Hoyer**. You cannot talk to that.

Mr. **Darman**. I not only cannot talk, I have been deprived of the information internally on the particular case, but I can tell you my view on the general rule.

Mr. **Hoyer**. This is to conform with the requirements of the law.

BUDGET SYSTEM NEEDS TO FOCUS ON CAPITAL

Mr. DARMAN. Well, a silly requirement, but probably generally has a good purpose. Talked about in the abstract, it is related also to Congressman Skeen's point about investments in systems. I do believe that we have to get the budgeting system straightened out so that we can look at capital expenditures in a way that distinguishes them from current operating expenditures, because the system we have now drives us to the most expensive option.

It either drives you to the most expensive option, or it drives you to—as I was saying in the case of systems—something you cannot quite do with a building. Well, you could, but you would look really foolish. It would be more evident how foolish you looked if you did it with a building.

You make little incremental adjustments each year, because you never want to take the big budget authority hit, and so you never make the investment in what would be a significant improvement in the system, and you have a variation on that problem when it comes to certain kinds of more obvious capital expenditures like buildings.

The way our current accounting system, budget accounting system is structured, it is oriented towards a cash accounting system on outlays, and it is sort of a mix——

Mr. HOYER. Driven more markedly by Gramm-Rudman than it used to be when you were dealing with authority.

Mr. DARMAN. Of course, the cash part is what is driven by Gramm-Rudman.

Mr. HOYER. Right.

Mr. DARMAN. I do not know about the outlays going in this particular building. That has one element of irrationality, but that is separable from the budget authority scoring and how you should target budget authority.

We really need to separate these out and have different targets and different rules for these different categories of, on the one hand, investment, then also what you might call operating expenses, different kinds of trust funds and liabilities.

We are incurring all kinds of different direct and indirect liabilities, which also are not budgeted for properly. We do not adequately include the subsidy costs, and target them. We do not limit the total size of the liability, except in one very crude way, which is the debt limit.

We ought to have categories of liabilities, direct and indirect, stretching from not just credit programs and guarantees, but also to insurance programs and indirect underwriting, and have some limits on those.

When you say you would not run a business that way, we run the Federal budgeting system like a 20-person restaurant. It is absolutely ridiculous that the size of the budget is larger than all of the economies of the world, except two. We are still running it like a little teeny cash business. And a business does not have to go very far before it switches to where it has a balance sheet. We really do not have a balance sheet.

We do have balance sheet type thinking, so when you get the issues such as the one you raise, you are sometimes driven to irrational, what would otherwise be viewed as irrational decisions.

Mr. **Hoyer**. Before we change the overall system, which I am pretty sure I would be for, I have talked to the Budget Committee, the Public Works Committee about this particular problem, not just this particular building, although this is I think a stark example, because I frankly think your firm came up with a good suggestion, which is why they took it, but they took it in the framework of a budgeting process. EPA. Are you doing the same thing with EPA.

Mr. **Darman**. I think what I have done is just taken myself off the whole list and turned them over to Diefenderfer and Hodsoll.

Mr. **Hoyer**. Let me ask you, have you had—do you know whether they have had discussions trying to resolve our short-term problem, which is this year?

ARCHIVES BUILDING FUNDING

Mr. **Darman**. Yes. They have had extensive discussions back and forth, I know on the Senate side. I don't know if they have yet on the House side. Senator Moynihan had. One of the buildings is also related to Archives or something, is it not? Another building for Archives?

Mr. **Hoyer**. No. The Archives is in the University of Maryland. That is the one we are talking about. And that is something we were trying to do it for 14 years. Now we have done it, everybody—Treasury was in line, and everybody was in line, everybody wanted to do it, we did it, and we thought from this committee's standpoint, we did it in a rational way.

Mr. **Darman**. We will be happy to make sure that—

Mr. **Hoyer**. Now that the Chairman's got it, and the ranking member is going to have a very short-term problem, which is really unrelated to what we are doing, but just how we are scoring.

Mr. **Darman**. Yes. I know there was also an issue, but I am not sure that this is still there, since I have not been dealing with the particular facts, whether the financing had to include a Federal guarantee.

If the financing had to include a Federal guarantee, the "private financing"—and it included a Federal guarantee on the debt, and they were also in a situation where the Federal Government was going to be an only tenant in the long-term lease, and if the structure of it were lease purchase, in order to get around the budget authority problem—I think that it is correct to say you should not be able to get around the budget authority problem by structuring it that way, because, in effect, the Government owns it. The Government has the obligation for all of the debt, and it has the obligation to provide all of the income. It might as well own it. It is just paying somebody else a little higher cost of capital and a little bit of profit.

Mr. **Hoyer**. Of course.

Mr. **Darman**. But the lease purchase, of course, is driven by the fact that that allows you to amortize it over 30 years as a lease as opposed to amortizing a capital expenditure.

What we should really be looking for is the highest net benefit to the Government or the least cost to the Government, approached independently of the scoring conventions. If it were rational trying to move it this way, you want to have a very tough review process to qualify to be a building on the list, and we tried to work with GSA to get a tougher review process, and I think we got a list of mutually agreed 21, I think it is, major building projects.

Once you make that list, if you were doing it rationally, the next question would be—forget budget scoring—what is the most cost-effective way to handle it from the Government's standpoint?

You ought to have a budget accounting system that could accommodate that, and, right now, we don't.

Mr. **HOYER**. I will close, Mr. Chairman, but I would like to sit down with the appropriate people, and perhaps with Tex, our staff person, and maybe Public Works, and the Budget Committee people, because we are going to come up to this.

Mr. **DARMAN**. We are very interested in this. The three people working on it——

Mr. **HOYER**. The budget outlays, even if you took the BA up front, because you authorized this expenditure and that, you are doing the budget outlays, which will actually be, in real terms a 26-year expenditure in three years, for this particular projects, and EPA, I do not know the time frame.

Mr. **DARMAN**. As I say, I have not been involved in that project, but it sounds to me like what they have decided to do is, say, because it's being structured to try to get around it, and we're in effect going to own it anyhow, we are going to score it as if we owned it anyhow, and if we built it ourselves, we would undoubtedly incur the outlays directly, and that is why they are scoring it that way.

As I say, I am not in the particular project. I agree with you about the problem, that three guys are—well, they are the three highest other officials at OMB who are all working on it—Barry Anderson, Bill Diefenderfer, and Frank Hodsoll—and they would be very happy to work with you and your staff to try to help sort this out.

Mr. **HOYER**. I have other questions, Mr. Chairman, but I have already taken more than my time. Thank you.

Mr. **ROYBAL**. Okay. Mr. Lowery?

Mr. **LOWERY**. Thank you, Mr. Chairman. Dick, welcome.

Mr. **DARMAN**. Thank you.

OMB EFFORT TO IMPROVE FEDERAL MANAGEMENT

Mr. **LOWERY**. This is your second appearance before the committee as Director of OMB, and you have a reputation for thoughtfulness and diligence in a most difficult job, and, while institutionally, the OMB and the committee may have some clashes on the way, this one member in particular has thoroughly enjoyed working with you.

Your request for budget increases to maintain personnel and improve automation systems, in the management functions, it strikes me that what you are truly trying to do is put not just emphasis upon the budgeting aspect, but on management as well.

What are your plans for improving the management function and what steps have been implemented thus far?

Mr. **Darman**. What we have done so far is quite a lot on a shoe string. The Management side of OMB had declined radically by more than half over the course of the decade of the 1980's, and had essentially atrophied, in my opinion. We are trying to build it back up slowly, steadily. This Committee gave us an additional 50-some odd people, and almost all of them have been allocated to Management. We have not hired them all yet. We were slowed in our ability to hire them, because we were waiting to see the final sequester outcome.

We have started a new Management By Objectives system. It is up and running. Every department has now Presidentially-approved Management By Objectives. When I was here last year, I said that we intended to do that. That system is up, running, beyond the point where I would say we are working bugs out. It is actually a functioning system.

It undoubtedly will have to improve over the years, but it's up, running, with every department and major agency with Presidentially-agreed objectives, a tracking system monitored by OMB, reporting system, checking progress against the targets and so on. That is one management improvement.

That I think is more important, but, more important in my mind, although I did not think so initially——

Mr. **Lowery**. That will provide for greater accountability.

Mr. **Darman**. Somewhat.

Mr. **Lowery**. But will it provide for cost savings as well?

Mr. **Darman**. Probably not, in my opinion.

Mr. **Lowery**. Okay.

Mr. **Darman**. But what it might do is help the Government actually get something done. I mean, we have an awful lot of bold plans that are announced that somehow or other never materialize, and it does not get scored as inefficiency, but it is worse than inefficiency, and this will help deal with that.

A second thing is—and this really should have been first on my list—following the HUD scandal, the exposure of the HUD scandal, I started digging into how much we really do track the agency performance in not only identifying systemic vulnerabilities to fraud and abuse, but doing something about them.

We set up a much more disciplined tracking system for that where we have identified higher risk problem areas, agency by agency. I think the list is 183 major risks that we have identified and are now tracking jointly with the agencies. So each of these high risk areas, where you could have another potential HUD, we have a standard process in which in a certain period of time, the agency has to come up with a remedial program jointly with us to get rid of that vulnerability, and then we lay out a plan for its implementation, and we track against that.

This is in addition to the MBO system, how the agency is actually doing in getting rid of these systemic vulnerabilities. I am not saying we are not going to have additional HUDs. I feel fairly sure that we will at some point, just because you can't run a $1.25 trillion enterprise without some problems showing up, but we are going to cut down substantially on our vulnerability to such things. I think that's a big step forward.

FINANCIAL MANAGEMENT SYSTEMS IMPROVEMENTS

Third, we have been working with Treasury and with the chief financial officers, and with GAO much more actively on the next stage of development of halfway decent financial management systems, just for basic auditing and tracking and processing, where again, we are a $1.25 trillion enterprise, but barely above the 20-person restaurant in the way we handle an awful lot of things.

You've got vast areas of the Federal Government that can't even be audited. They don't lend themselves to audit, just because the underlying systems are inadequate.

Well, I have construed OMB as having the oversight responsibility to make sure that we develop the capacities for even such rudimentary things as auditing. I know it sounds preposterous, and the public would be shocked to discover that you have more vast areas of the Government that are not in a condition to be properly audited, but that is a pre-condition, to be able to manage well.

Mr. **Lowery**. When should that be into place?

Mr. **Darman**. Oh, it is going to take—it is the kind of thing you improve incrementally. I would like—I am considering the question of whether we should actually propose a crash effort and ask for some special allocation of resources, but I have not reached the conclusion that we should.

If we approach it the way we are doing it now, there is a set of goals for how far you get with how many agencies each year, and it is going to take many years to get there.

Mr. **Lowery**. And you are not looking at reconstruction in the past, you are looking at prospectively?

Mr. **Darman**. Prospectively.

Mr. **Lowery**. And you expect, what, three years, before you would have that in place, where we could fully audit all aspects of the Federal Government?

Mr. **Darman**. I can't give you a specific promise on how fast we are going to get there.

Mr. **Lowery**. But your goal is all aspects of the Federal Government?

Mr. **Darman**. Certainly all of the departments and all of the major agencies.

You probably saw the GAO audit of the Air Force that was published a month or so ago, which essentially said that large portions of the Air Force—I think they estimated they have got $275 billion worth of assets, for some accounts they could not tell you reliably plus or minus a billion dollars what is going on. That is amazing.

Mr. **Lowery**. For Government work?

Mr. **Darman**. But that should be viewed as intolerable, and what I——

Mr. **Lowery**. Well, it is intolerable. I guess the question is why wouldn't we, shouldn't we deal with it?

Mr. **Darman**. We should deal with it. You have a variety of vested interests who, for one reason or another, are not so interested in dealing with this. In the past, there has been a tendency with the Executive Branch to say that the "M' in OMB should not get such emphasis.

The institutional bias of OMB itself is very heavily towards the "B" not the "M". So there is a need that I am responsible for—to try to correct that. Then, since '24, or whenever it was, the Act separated out GAO and OMB, there has been somewhat of a division of labor, that has given more of the controllership and auditing function to GAO.

In my opinion, OMB and Treasury have left too much to GAO, and I mean we are really the ones responsible for the Executive Branch in my opinion, and it is up to us to make sure that these systems get in place and are improved, and Secretary Brady and I are both approaching it that way.

Mr. Lowery. If we do not have a Government financed with an audit trail, how are you going to have the accountability, and how are you going to prevent the HUD scandals if the information is not going to be available until after the fact?

Mr. Darman. Exactly. That is a major problem. It has to be fixed, but you know better than I do, because you on that side of the table are, in addition to being substantive analysts, are professional politicians. There is practically no public sex appeal or press appeal or political appeal, in running around saying you would like to see better auditing systems.

Mr. Lowery. There may not be a whole lot of sex appeal or political appeal, but I think we would sleep better at night, knowing that our Government is better managed.

Mr. Darman. I am not saying why you would not do it.

Mr. Lowery. I understand.

Mr. Darman. You would be inclined to do it, we would be inclined to do it, but when it comes to actually spending the money on some of this stuff, I think it is fair to say that some of your colleagues, and it not just the Congress, some people in the Executive Branch have thought, at the margin, they would rather do other things.

You have to bear in mind, too, this is the kind of thing that pays off for the next groups. That is one of the problems. To some of the entrenched people, it is a threat, because greater accountability and greater information, if they have reason to think that what is going on is not quite what it should be, it is a threat to them. The people who might be inclined to impose these systems on a bureaucracy that might be resistent, those people will, generally speaking, be gone when the benefit shows up, so you have a built in set of——

Mr. Lowery. Yes. There is a tendency to tarnish legacies when the revelations come forth, admittedly after the fact, and I can understand those that are there now do not want the further restrictions and accountability. It cuts down on their flexibility.

Mr. Darman. Anyhow, we are going to get there, we are going to do this, at least if I am still around.

CAN OMB MANAGEMENT EFFORTS HELP?

Mr. Lowery. I would encourage you to do it on an accelerated basis.

Are you getting better information from the agencies now? You outlined your management by objectives, and also the high risk areas, but are you getting the information that you need from the agencies for the management improvements?

Mr. **Darman**. Yes. I think as a general matter, I have no complaints whatsoever about OMB's relationship with agencies. There are standard problems, but compared to problems that some of my predecessors have had for whatever reason, we've got a much better relationship with agencies than I think many of my predecessors have enjoyed.

Mr. **Lowery**. Do you think that with this complex, trillion and a quarter dollar Government, that we will have a real impact on Government-wide management?

Mr. **Darman**. Yes. I think so. It takes sustained attention though, from people like me, who, as you know, come and go, and therefore the oversight committees, especially of the Congress and, I think, the appropriators, because you are in a position, you provide more continuity, you are in a position to make certain demands of the people who come and go in jobs like mine.

IMPACT OF PAY ABSORPTION ON LAW ENFORCEMENT AGENCIES

Mr. **Lowery**. Let me get specific for this whole area of information. It strikes me, in terms of absorbing the pay raise, that there was not equity applied across the board, and I look to some of the agencies we deal with—the law enforcement agencies, Treasury, for instance—where far more of that absorption took place in the personnel account because I guess that is basically all they had available to absorb it. But some of the Justice Department, law enforcement agencies, where it appears they were able to transfer the absorption to other than personnel accounts, and did not get hit quite so hard, is that being looked at, and is that going to be corrected in the future?

Mr. **Darman**. We have been looking at that, and we are going to try to be somewhat more intelligent in the application of this in the future, even this year.

Mr. **Lowery**. Was that the difference of the———

Mr. **Darman**. The difference is———

Mr. **Lowery** [continuing]. The other places to spread it?

Mr. **Darman**. Yes. That is always the problem. If you are a personnel intensive organization, then there is a general rule about absorption, you are at a disadvantage relative to an agency or a sub-agency that is not personnel intensive and that has the opportunity to reprogram from deferrable expenditures or non-personnel operating expenditures that are greater. It is an inherent problem.

Mr. **Lowery**. How will you deal with it in the future?

Mr. **Darman**. Well, you just have to—I mean, it's not as if it's a surprise problem. You just have to, as I think I am, not be entirely arbitrary in the application of the rule.

Mr. **Lowery**. Are you looking at some relief?

Mr. **Darman**. For example, we provided relief to OMB. Small amount, a very small amount.

Mr. **Lowery**. To the chagrin of your sister Federal agencies.

Mr. **Darman**. We provided relief to some of the others, too.

Mr. **Lowery**. What are you doing in Customs, for instance, who took a big, big hit?

Mr. **Darman**. We have had an opportunity to discuss this with the Chairman at great length before you were able to join this, and—

Mr. **Lowery**. Alright. I'll check in with the Chairman after you depart and get myself enlightened on the topic.

Mr. **Darman**. It's my impression that the Chairman is in considerable agreement with what it sounds like your perspective might be.

Mr. **Lowery**. It's just that, living at the border, I know the problems. Not only dealing with the growth of the drug war, but also with the impact of commercial growth on the border. We are trying to deal with legitimate problems.

AGENCY APPEAL PROCESS FOR BUDGET DECISIONS

Let me shift over for a second to your budgeting process and your review of Agency budget requests. How many levels of review are there, and do agencies have a chance to appeal for special programs or to make their case when there is great disparity between their perspective and OMB's position?

Mr. **Darman**. Sure. An agency can appeal anything they want to me, and if they are not satisfied, and if it is an agency that reports directly to the President on paper, they can, at any time, appeal directly to the President.

It is irrelevant, in a sense, how many layers there are, because the right of appeal is guaranteed.

Mr. **Lowery**. It could be stopped, though, at the Secretary level.

Mr. **Darman**. Oh, I see. It could be stopped at the Secretary level, yes, definitely. But that is before it gets to OMB.

Mr. **Lowery**. Sure.

Mr. **Darman**. Now, obviously, our examiners deal directly with people many rungs down in different departments from the Secretary, and, in many cases, it can well be that the way it will work is, the communication at a lower level at an agency will be better with one of our examiners that it is up through the agency, just the way it is sometimes better with you, than it may be up through the chain in the agency.

So there may well be some issues that would come to my attention that might not have had the attention of the Secretary, and there may also, I may say, even cases of what you might call reverse appeals, where we think that something should get more funding than the agency has requested, or that someone lower has requested on the way up the chain.

In this last budget process, we actually did have a quite a number of cases where I went to the President, and I said I think that such and such should get more money than they asked for, so the system——

Mr. **Lowery**. You are a unique OMB director.

Mr. **Darman**. Well, it is not as if the overall budget is viewed as generous, but the system has the flexibility to allow for lots of appeals. It is in the nature of our pluralistic democracy that it is also leaky enough, so that if you are likely to do something really dumb, chances are good that before you do it, you learn about it through either the Congress or the press. There are a lot of built in protections.

Provided on our end, you have a mechanism that can analyze and get reviewed fairly quickly when you see these things, it's a manageable system.

IMPACT OF IRS FUNDING ON REVENUE COLLECTIONS

Mr. **Lowery**. This committee funds, and has oversight over Federal agencies that actually generate revenue for the US Government, I am thinking of IRS and Customs in particular.

Mr. **Darman**. Right. We are appreciative.

Mr. **Lowery**. I thought you would be.

Mr. **Darman**. Especially IRS.

Mr. **Lowery**. Previous budget restrictions on IRS have actually resulted in lost revenue, and I know the proposed increase for IRS should enable it to significantly improve performance. How do you have that projected, and what are we doing to insure that we are not leaving a lot of tax revenue uncollected?

Mr. **Darman**. I actually started on this project in 1985. The first four years of the Reagan Administration IRS really took a beating, you know, in 1981 through 1984, and in 1985, when I became Deputy Secretary of the Treasury, we started making the case at that time as the Chairman and Tex Gunnels will, I think, verify, that we really did get a favorable return from the investment in IRS and should be increasing it.

So, we asked for increases then, and I think that the downward patterns started to get reversed as early as 1985. In any case, since I have been at OMB, I have looked favorably upon the IRS proposals, and we review them fairly carefully, but we have looked favorably upon them. We think there is still a positive return on investment.

The marginal return has gone down over the years. I think the case was made—Tex Gunnels may recall—but I think the case was made that the ratio might have been as high as 16 or 18 to 1 back in 1985.

Mr. **Lowery**. Right.

Mr. **Darman**. And I think it is now dropped down to, depending on where you put the money, it dropped down to the three to eight range.

Mr. **Lowery**. It is still not a bad return. It's already vested to collect three to eight. I mean, a 300 to 800 percent return is damn good by anybody's standards.

Mr. **Darman**. There is no doubt about it. Well, as I say, we look upon it favorably. We also have looked at reallocation of resources within IRS. As you know, we put a proposal in the budget to focus existing resources on the big cases that are outstanding, rather than just taking them as you do in an ice cream store, you know, in the order in which people take the tickets, that's the old system.

Mr. **Lowery**. Not on your watch, but I think in your post Treasury days and certainly pre-OMB days, that this committee actually had requests submitted by the previous Administration for dramatic reductions in IRS personnel, and we never went along with it.

We always reversed it, and, in fact, I remember some supplementals being asked for a reversal.

Mr. **Darman**. We had a difference with this committee over the extent to which incremental investment in IRS should go toward revenue-producing activity versus service-related activity, and, on the service side, we had a difference with the Congress and might still have a difference.

Mr. **Lowery**. I think they are somewhat inter-related. IRS, from some of the latest surveys is doing a little bit better job on its service side, which could help the taxpayer.

Mr. **Darman**. Yes. It does not get quite as many phone calls answered, but the ones that get answered are——

Mr. **Lowery**. Are a little more direct.

Mr. **Darman**. [continuing]. A little more——

Mr. **Lowery**. Yes. A little more accurately.

UNITED STATES—MEXICO TRADE

I want to follow up what the Chairman had to say regarding the Customs Service's problem in facilitating legitimate trade and crossings between the U.S. and Mexico. There has been an absolute explosion in border trade when you think of the Maquiladora process taking place.

Are you all mindful of that fact? Because we still seem to be light years behind, well behind the power curve in terms of the resources that we are providing to the customs service. I mentioned the absorption that they had to take with the last salary increase. I hope that we are not having to wait for future fiscal years to resolve some of these problems. In fact, I want to explore with you an idea that I think could help further.

What is your view of this problem, this explosion of both commerce and pedestrian traffic between the US and Mexico?

Mr. **Darman**. If it were not for the drug problem, the explosion, per se, would not be of that much concern to me, but when you combine that with the drug problem, then it is a very serious worry.

On the other hand, the returns from smuggling in drugs are so high that until you get the probability of detection up to a very high level, it is still always worth another try. I don't know what the answer to that is.

Mr. **Lowery**. The concern we have is that if we divert resources to the drug war, clearly, a very, very high priority, other aspects dealing with commerce and dealing with crossing suffers, and that is of grave concern, particularly in Southern California, where our economy is so intermingled with Mexico.

Mr. **Darman**. I understand that. Of course, as you know, we are talking about the possibility of negotiating a free trade arrangement with Mexico.

Mr. **Lowery**. Yes.

Mr. **Darman**. Again, if it were not for the drug issue, that could be in the other direction as it has on the Canadian border where there have been some savings as a result of that, I believe.

CUSTOMS USER FEES

Mr. **Lowery**. Chairman, let me just follow up on this. I have more questions. I will wait. You are very generous on time, and I appreciate it.

User fees. What is OMB's attitude to allowing customs possibly on our experimental basis, implement user fees at land border crossings? I am thinking of a fee for commuters, that make numerous border crossings. This process would help law enforcement because they would know more about those individuals crossing the border, in terms of which vehicles they would be using, their license numbers, their addresses; an awful lot more about the individuals than we know about folks that currently cross at the ports of entry.

On a pilot basis we could explore a user fee with the money remaining with the agency, so we can improve the border facilities and the personnel staffing levels.

Mr. **Darman**. As a general matter, I favor user fees—legitimate user fees—across the board. Not just Customs but throughout Government, I think we are under-attending to the value of the service that we are providing to particular beneficiaries, who ought to pay their fair share for the benefit.

That applies to some kinds of Customs' activities. Some of the Customs' activity accrues to the general benefit, but some is very particular and is legitimately subjected to a user fee. So, on the issue of principle, yes.

Then on the question of how much of the money should go into a general fund and how much should be reserved for a particular area of activity, you have to look at that, in my opinion, case by case.

Obviously our preference from the standpoint of financial management is to have the greatest flexibility and put it in the general fund.

From your standpoint, given the way 302(b) allocations work, it can be preferable to have it pre-allocated. But even there, we would have a difference with you, because we would still want it to be appropriated. In other words, even if it were in a pot that said "Customs", it does not really solve your 302(b) problem, until you have it so that it is automatically allocated without appropriation.

I do not think that that would be good fiscal or financial management policy to have it automatically allocated. I think it should be subject to appropriation.

Mr. **Lowery**. I agree. I think it is more of a scoring problem than a budgetary problem, because I do not think the members were torn between a 302(b) problem and wanting proper oversight control over it.

Mr. **Darman**. Yes. Over the long term, it is a whole lot more important to make sure there is continuing oversight and control, in my opinion.

Mr. **Lowery**. Specifically, on an experimental basis, would you be favorable toward a border crossing fee?

Mr. **Darman**. Well, it depends on this issue. I would not favor it if—I have not looked at that particular case, I would be happy to. I start out with a predisposition in favor of any user fee wherever we can get it, so I would be happy to look at that.

I am not going to say adamantly that we would oppose it being allocated to Customs, but I sure would say adamantly it should be subjected to appropriation. It should be, in my opinion, subject to appropriation.

Mr. **Lowery**. Mr. Chairman, I have more questions. I will wait. Thank you.

Mr. **Roybal**. Mr. Akaka.

Mr. **Akaka**. Thank you very much, Mr. Chairman. Mr. Darman, it is good to have you before a friendly committee.

Mr. **Darman**. Thank you. It is nice to be here.

Mr. **Akaka**. I was interested in the question Mr. Lowery raised and hearing your answer about your attitude toward the IRS and their programs. The IRS, as you look at it, is a revenue collection agency. As such, the amount of money they collect certainly helps the general treasury. Customs, also, is a revenue collecting agency.

My question to you is, is your attitude similar to Customs as to IRS in trying to assist them in their responsibility to the law in their jurisdictions?

Mr. **Darman**. Well, yes, to the extent that we could be sure that the investment were in revenue-producing activities, if that is what you mean.

ADMINISTRATION POSITION ON SUPPLEMENTAL

Mr. **Akaka**. I appreciated what you said about monies being appropriated rather than being placed in a pot for that agency to use.

I know you are up on all that happens in the Congress. Yesterday we passed the supplemental bill, and I am almost sure that this is correct, that close to your heart is foreign assistance funding, and that was debated yesterday, and we spent much time on that part of the bill.

My question to you is, do you know whether the Administration will support that supplemental appropriations bill as passed in the House?

Mr. **Darman**. We did not put out a veto threat on that bill. We have a number of specific provisions that we have objected to, but we said that we would try to improve it on the Senate side, and if the Senate does not deviate very far from what the House did, and if we could get the money promptly, I think the answer is that we would sign it. The bill is very much larger than we requested. We requested $870 million, and it is around $2.5 billion, as you know. But a large portion of the addition is in mandatory programs. The single biggest piece is around $510 million for food stamps.

We would probably have to spend that money anyhow. That is similarly the case with certain student loans and so on down the list, but there is about $100 million add for unemployment insurance, which is probably justified.

There is some of Chairman Whitten's interests, which, I think are, in this particular case, legitimate related to floods in the south and the Delta.

So if you go on down through that bill, given the pattern in some cases, actually most of this is substantially better, I think, in its justifiability, than many other supplementals, and what we are really doing is taking funding that would have had to take place later in the year with a different supplemental and moving it into this one, for most of it.

Now there is some fire-fighting money in there that I have a problem with, that I really think is an abuse, but because what is really happening there—we were talking earlier about the 302(b)—what is really happening there is we are moving—you all are moving $433 million worth of budget authority out of fiscal year 1991 into fiscal year 1990 to free up a little extra room in that account for fiscal year 1991.

As you know, yesterday there was an amendment that Mr. Conte and Mr. Yates worked out that I hope will make that provision such that if there are not in fact fires to consume the money, it expires this year. Assuming that's the case and we get a couple of other corrections on the Senate side, I think it is in a range that the President would sign.

In fact, I have to say we are very appreciative of Chairman Whitten and other members of the Appropriations Committee being willing to move it quickly. The Nicaragua request only came up a few weeks ago.

You said something that I would like to say a word on. In introducing the question, you said that you assume that foreign funding was close to my heart, and so on. Actually—it is just a small point for the record—foreign funding in general is not necessarily so close to my heart. But in the case of Nicaragua and Panama, which are in our own region, and where there really is an extraordinary opportunity to go from, in the one case, a Rightist and the other a Leftist Regime to Democracy—I think we have, for a variety of reasons, some special interest in these cases in trying to see if we can't make these two Central American countries healthy.

To the extent that the assistance is oriented in that direction and can help, I think it's justified, more so than many other cases on the long list of countries we support.

INFORMATION ON FOREIGN INVESTMENT

Mr. **Akaka**. Along the line of this foreign funding, there is a growing concern of the increase of employing investment later in the United States, we have heard on the floor by some of the Members. And there are a number of Federal agencies that collect data on foreign investment. But there is a feeling also that the data is not organized and not available for analysis for the appropriate Government offices, and we consider this to be coherent foreign data that can help us make decisions, and we would look for accurate assessments of foreign investments, for instance, and its impact upon our economy and national security.

I am co-sponsoring a bill with Representative Sharp, HR 4060. It was introduced to merge data collected by Federal agencies, especially the Bureau of Economic Analysis in the Census Bureau, and would only be available to the Executive Branch, GAO, and the Committee on Foreign Investment of the United States.

Do you see the need for improvements in the collection of organization of this kind of investment data?

Mr. DARMAN. I am sorry to say, Mr. Akaka, I have not looked at your bill, and do not know exactly what it would do, so I am really not in a position to comment. I do not know enough about whether we are doing it inefficiently at the moment.

I would say this—but here I am expressing a personal view that might or might not be consistent with the interest of your bill. If your bill is oriented strictly towards improved administrative efficiency, I think I might be favorably disposed. If it is in fact oriented towards, or, in any way discriminating against foreign investment, my personal predisposition would be negative.

I was at the Commerce Department in the mid-1970s, and the Bureau of Economic Analysis reported through me at that time, and this was following our oil embargo, and everybody was, at that time, as you may recall, scared that Arab oil money was going to take over America. They wanted big new tracking systems on foreign direct investment to make sure we knew exactly every dollar that was coming in directly or indirectly, from foreign (Arab) sources, to trace and presumably do something about the assumed takeover of America from this oil money.

Of course, no such takeover ever took place. There was an increase in the investment and it actually helped our economy. Then, on an orderly basis, the investment declined. The latest worry about this is obviously Japan. But if you look at what is happening to the Japanese Stock Market—I am not saying that this is necessarily going to continue to be the trend—but I would expect at some point this Japanese market is going to bottom, and if it goes down somewhat further before it bottoms, there is going to be a lot of people who say that is a good place to move money, and you are going to have the opposite problem from what people were talking about a month-and-a-half ago. They are going to be worried about an outflow of Japanese capital from the U.S.

I think we can outsmart ourselves if we try to get too clever about analyzing foreign direct investment if it is going to lead us to do some things, which may be behind the market.

Mr. AKAKA. This input would depend on who is using it. I was looking at, as I said, a coherent data bank.

Mr. DARMAN. Right. It's hard to be against coherence.

Mr. AKAKA. You know, that can help you make a decision as to which way you should go, but I think, generally, the better data we can get on following investment as we needed. You know, other places like New York and even LA, when we talk about Japanese investments, there is a lot of controversy.

Mr. DARMAN. But there is a lot of benefit, too.

Mr. AKAKA. Yes.

Mr. DARMAN. There is a lot of benefit. There are some risks, but there is a lot of benefit. If we had run the fiscal deficits we have run over the past several years and not had the benefit of an inflow of capital, as happened not only from Japan but also heavily from England and Europe, we would have had substantially higher interest rates and much less real growth.

Mr. AKAKA. Yes. And I will tell you that Hawaii has benefitted by the investments from Japan. Right now I would also tell you—and this is all feeling—that in a recent change, there already is felt in Hawaii some pull-back of Japanese investments.

Mr. Darman. Congressmen Wolf, I know, has been concerned. I know he is not here today, but he has been concerned about the pattern of the increase in investment and the possible vulnerability to Japan, but, as long as we continue to run the big fiscal deficits, we have to ask ourselves which would we rather have? Foreign capital that comes in and helps bridge the gap, or substantially slower economic growth, higher interest rates, higher unemployment, and so on?

The right solution to this "problem", rising foreign direct investment, to the extent that someone wishes it to be viewed as a problem, in my opinion, is not to figure out how to limit the investment, but it is rather to get the fiscal deficit way down. You will not have to worry about whether Japan is or is not participating in a Treasury quarterly auction.

FEDERAL RESERVE ACTION ON INTEREST RATES

Mr. Akaka. Again, this may be asking your personal opinion, but since we have touched on it, the dollar is at a three-year high against the yen, and the Treasury is concerned about the impact of a strong dollar upon the balance of trade.

According to the March 28 issue of the New York Times, the Federal Reserve has refused to intervene and has held interest rates steady. What do you think is the proper course for the feds to follow regarding interest rates?

Mr. Darman. Well, it is not that I do not have an opinion, but I think that I should ask your permission to duck because I am of the view that it is very important that the United States, important to financial markets, that the United States appear to speak with a single voice on monetary policy domestically and internationally, and they are linked.

And I know that when I was at Treasury that we did not particularly like the Chairman of the Council of Economic Advisors, or the OMB Director, or the Secretary of Commerce or other people suddenly spouting off on interest rates and the dollar. And it is only fair that I try to apply the same rule to myself. I have only violated it once in seventeen months, and I think that the second occasion should not be today.

As you know, the Secretary of the Treasury is going to a meeting of the Group of Seven in Paris on April 7th which is just a couple of days away to deal with exactly this set of issues, along with the Chairman of the Fed. I think that it is a whole lot better to make sure that the only voice heard from the United States is their voice. I apologize.

DEFENSE REPROGRAMMING

Mr. Akaka. My next question is on reprogramming. And it was intended to permit the transfer of funds for the convenience of the Department on noncontroversial issues, and not to ease the pain of sequestration. And particularly I am pointing out some of the efforts that were made in the Department of Defense. Secretary Cheney's initial program request targeted funding sources which were used instead for the supplemental appropriation. And we expect Secretary Cheney to request reprogramming for fiscal year 1990.

What is the Administration's view on the use of reprogramming?

Mr. **Darman**. Well, I think that reprogramming is a valuable and sensible tool of management. And I think that the flexibility that it provides the Executive Branch is essential, much more limited as it happens than the Executive Branch would like, because it is counter-balanced by the need to coordinate with the appropriate committees of the Congress which gives the Congress a continuing role and protection in the process.

So, it is a classic case where the executive would like maximum flexibility and the Congress would like to preserve maximum control. And we have worked out sort of an accommodation that deals with the reality of a world in which you are not going to be able to forecast every need exactly correctly and budget for it exactly correctly, and you want to have some flexibility. So as a general matter, I think that the reprogramming system is probably about as good a balance as we are going to get.

In the case of the special $3 billion reprogramming authority for DOD which I think you are referring to, I think that that is a sensible special provision for DOD which is of course a $300 billion agency and it is really only one percent. And Chairman Aspin—I notice from reading my mail and other literature that he has gotten quite upset with me because he thinks that I favor sequester more, thanks to the fact that Defense has this reprogramming authority. That is not an accurate representation of my views. I would have favored sequester in the context in which it arose last year regardless of whether that reprogramming authority existed. And this year he is all worried about the fact, to judge at least by the literature, about the fact that the existence of this reprogramming authority might make us more inclined to take a sequester.

Well, this year the sequester is going to be three times at least as large as it threatened to be last year assuming that we follow the current course which I hope that we do not. But if we do, it is going to be a $40 billion or $50 billion sequester. If it is that big, then $20 to $25 billion would be at Defense, and the existence of $3 billion of flexibility is not going to make the difference between whether the Secretary of Defense likes it or does not like it. It is guaranteed that the Secretary of Defense is not going to like it. It is absolutely guaranteed.

So I think that it is somewhat of a false worry by Chairman Aspin. And I think that it would be foolish to take the reprogramming authority away in that area.

OMB DRUG TESTING PROGRAM

Mr. **Akaka**. Finally, how is your drug testing program doing?

Mr. **Darman**. I do not know how it is working out because I am not exactly sure how you would measure how it is working out.

Mr. **Akaka**. I think yours is random testing, and that all employees were required to test.

Mr. **Darman**. Right. Ours is only for certain defined sensitive employees, defined on a basis that can pass the court test as to what is legitimate. We had, as you know, a proposal that would have been somewhat more far reaching but pending the resolution of the court cases we are not implementing anything beyond the current program which is confined to sensitive positions of a type that the court has said it is legitimate to apply the testing to.

On a Government-wide basis, the statistics that I have suggest, I guess, that we may be testing as many as four million people. What I do not know is how many of those people have tested positive. I am sure that information would be available agency by agency. We do not collect it centrally.

But I know in the case of the Transportation Department—where for example there is special reason to be concerned about air traffic controllers—I was surprised to learn that the tests did in fact show a substantial number of air traffic controllers themselves who had tested positive. And by substantial I do not mean a great big number, but as far as I am concerned if it were one it is a little more than I would like if I were flying, and it is more than one.

So I think that having such a testing program—provided that it protects individuals' civil liberties properly—I think is just sort of rudimentary prudence with respect to sensitive jobs, and that we ought to continue to pursue it.

COLA FREEZE FOR FEDERAL RETIREES

Mr. **Akaka**. Mr. Chairman, one more question and this is on COLA. I look upon this as a disparity, so therefore I ask for your explanation. I understand that you propose a full COLA for Social Security annuitants and a freeze in Federal retiree COLAs.

Can you explain that to us please?

Mr. **Darman**. Yes, I can try. I do not know if I can give you a thoroughly satisfactory explanation. I would respond from three different perspectives that might justify the distinction and then add a fourth.

One, the COLAs which we have proposed to freeze all apply to people who were Government employees. And you could construe us as performing the function, and not merely the general public policy function, but the Government as employer or manager thinking about a labor relations issue with its own employees. And obviously Social Security beneficiaries, if that is the defining characteristic, that is not a population that is exclusively Governmental employees.

So when we look at our own labor-management relations, we should be, just as a private firm is entitled to make its own judgment about what is appropriate in this context for this employer-employee relationship, just the way that a private employer would be. That is different from Social Security. That is one possible rationale.

The second one is if that you do look at the fact of the way in which our compensation system has been handled for Federal employees that it has been one where COLAs have been built in automatically for the retirees but the pay increase for current employees has not always kept pace. So you ended up with at certain periods at least a disparity or a difference in the relationship of what you could get as a retiree versus what you get as a current worker that you might say is not an appropriate difference.

Thirdly, you could look at this in a somewhat more philosophical manner and say that Social Security was originally conceived to be a kind of base compensation system for retirees on top of which there would be other compensation systems from other sources, some of their own savings and some from other pension systems.

And so if you conceive of Social Security as the base, it is appropriate to think that Social Security is a base that should rise with the cost of living whereas things that are added to it arguably do not have to rise with the cost of living, because Social Security is for the basics. And the cost of living is to assure some appropriate adjustment in relation to basics.

The problem with that of course is that there are Federal retirees who are not Social Security beneficiaries. It is not that many. It is actually a pretty high ratio of Federal retirees who are also Social Security beneficiaries. But you would have a counter argument for the portion of the population that is not.

Anyhow those would be three ways to rationalize the distinction. That said there is a fourth which we all know and it would be foolish not to confess, which is political. I just do not think that the political system would be inclined to impose a COLA freeze on Social Security retirees if it were offered as a free standing proposal by the Administration.

I think that the only effect of such a proposal would be to open the Administration up to endless and extremely heated political attack. It is not as if we wrote it in the budget that it would be legislated.

So those are what you might consider to be three legitimate public policy reasons and one political.

Mr. **Akaka**. Thank you for that comprehensive explanation. And I brought that up because there had been questions about this, so I thank you for your answer.

Mr. **Darman**. I think that if you have a lot of retirees in your district that it is hard to explain from what I have heard.

Mr. **Akaka**. Thank you.

ADMINISTRATION REQUEST FOR FEDERAL BUILDINGS FUND

Mr. **Roybal**. Mr. Darman, I think that I would like to go little bit more into the request that OMB is making. For example, the committee has just received your amendment to the fiscal year 1991 budget that is requesting an appropriation of $1,365,353,000, in other words $1.3 billion. That is for fiscal year 1991. And then an advance appropriation of $750.6 million for 1992, and $317.6 million for 1993, for the Federal Buildings Fund in the General Services Administration.

The question is why are these requirements urgent now in view of the fact that this committee is constantly told that Government just cannot afford another dollar for any other department, can we actually afford something just for GSA?

Mr. **Darman**. For the buildings.

Mr. **Roybal**. The question is how can we afford this now since we are recommending freezes here in order to save some money, how can we afford all of this?

Mr. **Darman**. Well, the problem is that you have got a Government that has to be housed. And we tried to pare down the list of GSA requests and it is a lot shorter than a lot of people wanted.

Mr. Roybal. But this condition existed before the original request was made. This is an amendment to fiscal 1991. So it is really not based on the fact that there was a need now that did not exist then.

Why the increase?

Mr. Darman. Mr. Chairman, I am at a disadvantage on this amendment. I was just asking what the heck is this amendment. You see, this is the same one that I am recused on.

Mr. Roybal. Yes.

Mr. Darman. I did not know that we even sent up the amendment.

Mr. Roybal. We just got that yesterday. In fact, the committee did not know about it, and we were talking about different figures before.

Mr. Darman. You see, my problem is that I cannot deal with this set of buildings because my former firm has proposals in the financing, so I cannot.

Mr. Roybal. The truth of the matter is that the request for the increase has been made.

Mr. Darman. I understand that, but I am at a disadvantage in responding to you because I was not allowed to see all the papers.

Mr. Roybal. When it comes to a 302(b) allocation, will all of this be considered?

Mr. Darman. All I can ask, Mr. Chairman, is this, could I have my deputy who is handling this issue because of my recusal, could I ask that he meet with you and try to sort this out?

POSTAL REQUEST FOR REVENUE FORGONE

Mr. Roybal. All right. And maybe the same thing should be true at the time to discuss another item that has come in, and that is an additional $31 million for revenue foregone based on the fact that there be an increase in postage next February. Now the request has come in now for an additional $31 million.

Mr. Darman. Yes. I do not think that was an OMB request, was it, but that is a Postal Service request. And that is their own decision to raise the postage stamp charge, and they have apparently decided not to raise the charge to subsidized mailers sufficiently to offset that increase.

Mr. Roybal. But what I am particularly worried about is the fact that these requests are in regardless of what the case is and that they must be considered within our 302 allocation. Where does it leave this committee, particularly in view of the fact that I believe that there is at least prima facie evidence that suggests that Customs has not been treated the same as other departments.

Mr. Darman. Yes, if I could just distinguish.

Mr. Roybal. Why the favoritism?

Mr. Darman. Well, if I could distinguish, in the case of revenue foregone, we have not asked for that.

Mr. Roybal. We are asking for advice from you.

Mr. Darman. My advice on revenue foregone would be to look somewhat more kindly on our own proposal, which by the way is the proposal that is supported I think by some outside people who looked at it in GAO, the proposal that says that we ought to end some of these abuses in revenue foregone. I think that we proposed to save $115 million or so by ending legitimate abuses in these entities that come along and get the benefit of the subsidized mail in order, I would have said, to promote education on Hawaiian cruises but I know that would not be well received, so I would say promote education on cruises out of Boston Harbor.

Mr. **Roybal**. But you also would look elsewhere then for the request that you have made for one billion dollars?

Mr. **Darman**. That I have to find out about. I apologize.

Mr. **Roybal**. The thing is that the request has been made.

Mr. **Darman**. I understand that, but you have got to have some sympathy for me. It is your own laws that are making me not able to talk about it.

Mr. **Roybal**. You know, Mr. Darman, here you say have some sympathy for you.

Mr. **Darman**. On that issue.

ADMINISTRATION VIEWS ON CUSTOMS FUNDING

Mr. **Roybal**. And I do have not only on that issue but on many other issues. And I started out this meeting by asking you to have some sympathy on Customs. Let us make a little trade. Let each of us be sympathetic and let us each do what is proper with regard to both your request and the request made by agencies such as Customs because it is a revenue producing department.

Mr. **Darman**. Mr. Chairman, we do not even have to make a trade, because I cannot trade one of the items as I cannot deal with it. But I think that you have found us to be very reasonable in our approach to this. We have not been adamant or insistent on anything. We have never said to you since I have been at OMB that we are going to veto that bill if it gives one more dime for Customs. You have not had any kind of those letters or threats from us.

Mr. **Roybal**. One of our bills was vetoed by the Administration one time.

Mr. **Darman**. But not while I was at OMB.

Mr. **Skeen**. No, you were not. They did not tell us that they were going to veto it either, and then they came back for a supplemental.

Mr. **Roybal**. They came back with a supplemental on the very item that they based their veto on. And this was immediately thereafter, a few weeks later. It is hard for a person like myself at least to understand these things.

Mr. **Darman**. I have taken great pains since I have been OMB director to try to make sure that we do not send up letters that threaten veto when we do not mean it, and that we do not even get to that stage if we have not exhausted all of the efforts to work something out with the committee.

So Mr. Chairman, I would just say that we want to approach it not only sympathetically but in a constructive way. We all have got the same problem of the effect of the ceiling, and we would be more than happy to work with you.

Mr. **Roybal**. I am glad to hear that. And that includes of course all departments of the Federal Government, right?

Mr. **Darman**. All?

Mr. **Roybal**. All department of the Federal Government, that we are going to deal with them in a fair and constructive manner?

Mr. **Darman**. We would try to, sure.

Mr. **Roybal**. I am particularly interested in the way that Customs is being treated.

Mr. **Darman**. No, I understand.

OMB STAFFING

Mr. **Roybal**. Now the time is coming for us to adjourn. We promised you that you would be out by around noon.

But would you provide for the record the number of personnel that you have, the total number, the number of women, and an ethnic breakdown of that personnel. And we would like to know also the percentage of increase in salary to be received under the new budget.

Mr. **Darman**. Sure, I would be happy to. For everybody?

Mr. **Roybal**. Sure. How many do you have?

Mr. **Darman**. We have 577 FTEs, but we do not have that many people at the moment. We have got quite a few less than that actually.

Mr. **Roybal**. Whatever you have, let us get that particular breakdown.

Mr. **Darman**. Okay.

Mr. **Roybal**. Exactly what you have.

Mr. **Darman**. Sure, I would be happy to.

[The information follows:]

OMB Salaries and Personnel

Rep. **Roybal**. What is the current number of personnel at OMB?

Response. As of March 29, 1990 OMB had 517 staff on the payroll or in the process of being hired.

Rep. **Roybal**. What is the number of women at OMB?

Response. Of the 517 at OMB, 244 (or 47 percent) are women.

Rep. **Roybal**. What is the percentage increase in salaries 1990 to 1991?

Response. The average GS salary increases approximately 2.9 percent from FY 1990 to FY 1991 and the ES salary increases by approximately 20 percent from FY 1990 to FY 1991.

Rep. **Roybal**. What is the ethnic breakdown at OMB?

Response. Currently 25 percent of staff are of minority status.

Mr. **Roybal**. And we also have other questions that we are going to submit to you for the record. And these are questions with regard to Social Security and other things. We would appreciate it if you would answer those questions as soon as you can. Other members of the committee also have additional questions in writing that we will be submitting to you.

And now I yield to Mr. Skeen to see if he has any other questions that he would like to ask at this time.

Mr. **Skeen**. I do not have any more questions, Mr. Chairman.

OMB REVEIW OF BUDGETS FOR SMALL AGENCIES

But Dick, I do want to make a comment. You have done an outstanding job of correcting a mistake in approach that I think that we had fallen into a habitual routine with, and that is dealing with the smaller agencies. I know that you are pressed and hard pressed for the interviews when they bring their budgets before you. But I have seen a perceptive change in attitude, because they get a face to face meeting with you. And if they have an appeal they get a response, and you are doing a good job there. And I appreciate it very much.

Mr. **Darman**. Thanks. I might say that I was sensitized to the problem by the questions the first time that I came before this committee. So to the extent that there is an improvement, it is thanks in part to your efforts.

Mr. **Skeen**. Well, it is good to see cause and effect once in awhile. But you have done very well and we appreciate it.

Mr. **Darman**. Thank you very much.

Mr. **Roybal**. Mr. Darman, I would like to thank you for your testimony. And while my questions may have been in some instances one-sided, I think that it is all done in an effort to bring about fairness in this budgetary process. I am glad that we both have agreed that we are going to work towards the objective.

Mr. **Darman**. Thank you, Mr. Chairman. I would just like to say that I appreciate having a chance of coming before you and the spirit in which you have conducted the hearing, and I always look forward to coming back. And I would be happy to respond informally or formally any time, and I hope that we can work all of this out constructively in the weeks and months ahead. I look forward to working with you.

Mr. **Roybal**. Thank you very much.

Mr. **Darman**. Thank you.

Mr. **Roybal**. The committee is now adjourned.

[Questions and answers for the record and the justifications follow:]

Office of Management and Budget

Rep. Roybal	**Please summarize for the Committee the reasons for the increases proposed for 1991.**

Response:	For FY 1991, much of OMB's requested increase is intended to ensure that staff have the necessary systems and equipment to do their jobs effectively. OMB is requesting $2,757,000 (an increase of $2,257,000) for improved budget and financial information systems and office automation. OMB must modernize the budget and financial information systems used in formulating the President's budget. These systems, which have not been substantially updated since they were established in the 1960's, simply cannot perform the necessary data analysis without long turn-around times and burdensome programming. The systems have not been satisfactorily adapted to changes in the budgeting process, such as the requirements created by Gramm-Rudman-Hollings. In addition, OMB must be able to track management improvement efforts in high-risk areas and monitor the management by objective system established last year.

OMB is requesting an increase of $2,238,000 in personnel funds to maintain the FY 1990 staffing level of 577 FTE's. Over 70 percent of OMB's budget is spent on personnel costs. Another 11.5 percent is for rent payments to GSA, including a rent increase of $253,000 to pay higher GSA rates for office space. OMB is not proposing to use more or better space. The increased cost reflects what is simply a GSA rent increase for current space.

The remaining increase of $240,000 is necessary to pay for higher computer support costs, ADP supplies, and an inflation increase for office supplies and subscriptions.

Social Security

Rep. Roybal: The media has carried a lot of concern recently about the future of the Social Security system. Right now people who are paying into Social Security are in essence subsidizing the operations of the government because of the extensive borrowing from the fund.

Response: We are concerned as well about the use of the social security trust funds to finance non-social security operations. The President's 1991 Budget contains a proposal designed to end this practice and to ensure that we begin saving Social Security surplus resources for the retirement of the baby boom generation. After a short phase-in period, the President's budget proposal would require annual reductions in outstanding Federal debt equal to the projected annual Social Security surpluses. This approach would ensure that we save the trust fund surpluses in the form of reduced Federal debt held by the public -- with a corresponding increase in private investment in the national economy.

Rep. Roybal: What year do you estimate that Social Security revenues and Social Security outlays will be equalized and how do you think both the government operations and Social Security payments will be financed at that time?

Response: In the 1989 Social Security Trustees' Report, Social Security actuaries project that, under intermediate economic and demographic assumptions (II-B), social security trust fund income, excluding interest, will equal trust fund outgo in 2018. Beyond 2018, outgo exceeds non-interest income. If interest is included in income, outgo does not exceed income until 2030.

Once Social Security outgo exceeds non-interest income to the trust funds, the Federal Government will have to make some adjustments in the non-social security budget. The social security trust funds will draw on annual interest payments from Treasury and the sizeable reserves that will have been accumulated to pay current benefits.

Rep. Roybal: How will government operations be financed when Social Security payments exceed the Social Security taxes collected? At that time we will not be able to borrow from Social Security, but we'll also have to pay back what we have already borrowed.

Response: When Social Security benefits exceed taxes, the Federal Government will have to finance current operations of the Government and payments to the social security trust funds for amounts borrowed in earlier years. As a technical matter, the Federal Government will have three choices: to increase taxes, to borrow more money from the private economy, or to reduce non-social security spending. The best way to prepare for the retirement of the baby boom generation, and the corresponding Social Security commitments, is to save the Social Security surpluses to ensure the economy is large enough and strong enough to support those commitments. The President's Budget includes a proposal to ensure we move in that direction.

Rep. Roybal: Is the Administration committed to paying back the money borrowed from the social security trust fund? When and how?

Response: The Administration is fully committed to paying back the money borrowed from the Social Security Trust Funds. The 1991 President's Budget includes a proposal to help the Federal Government structure that commitment. Under the Administration's proposal, the Gramm-Rudman-Hollings law would be amended to require balance in the non-social security portion of the budget, after a short phase-in period. In addition, the Federal Government would be required to reduce outstanding Federal debt in amounts equal to the projected annual Social Security surpluses. Overall, the budget would be in balance, but we would be reducing Federal debt held by the public, allowing increased investment in the private economy and reducing the Federal debt burden for the next generation. When it comes time for the trust funds to redeem the Treasury securities, the economy will be strong enough to make those payments, and the Federal debt held by the public will have been virtually eliminated.

Public Debt

Rep. Roybal: Let me switch to another concern. What are the economic implications of the high level of foreign ownership of the U.S. Government's public debt?

Response: Foreigners held $394 billion (or 18 percent) of the outstanding $2,189 billion Treasury debt held by the public at the end of fiscal 1989. Although foreign ownership of government debt has increased during the 1980s, it remains lower than in the late 1970s; the percentage of public debt held by foreigners reached a peak of 20 percent in 1978.

In 1989, foreigners purchased $29 billion of Treasury securities. Given the enormous size of the U.S. government's debt which needs to be financed, this inflow is beneficial because it helps to lower domestic interest rates, thereby helping interest-rate sensitive sectors such as housing.

However, if foreigners reduce their purchases of securities and other investments in the U.S., this could contribute to an increase in domestic interest rates. This reliance underscores the need to eliminate the budget deficit and reduce debt held by the public.

Rep. Roybal: What are the economic implications of the increasing level of foreign ownership of land, buildings, and industry in the U.S.?

Response: Private foreign capital inflow into the United States totalled $189 billion in 1989. Of this, $29 billion (22 percent) represented foreign purchases of Treasury securities; $60 billion (32 percent) was foreign direct investment in plant and equipment, commercial real estate and corporate acquisitions; and the rest represented purchases of corporate stocks and bonds and increased bank deposits.

Direct foreign investment has favorable effects in the U.S. economy. It creates new jobs, raises the income and tax base for the States and localities where it occurs, and enhances technological and managerial skills.

Unlike financial assets such as stocks and bonds, ownership of factories and real estate cannot be liquidated overnight. Relative to other types of investment, direct investment is a source of stability.

Efforts to discourage direct investment in the U.S. would be counterproductive. Aside from the loss of efficiency-enhancing investments, retaliation by foreign countries is almost a certainty.

Rep. Roybal: For comparison purposes, how much foreign debt and foreign assets does the United States own?

Response: Total U.S. owned assets abroad through the end of 1989 were approximately $1,259,852 million. The following table breaks down this aggregate number. (Table is in millions of dollars.)

U.S. assets abroad	$1,259,852
U.S. official reserve assets	45,008
U.S. Govt. assets, other than official reserve assets	86,192
U.S. private assets	1,128,652
Direct investment abroad	329,028
Foreign securities	163,296
U.S. claims reported by U.S. banks, not included elsewhere	614,778
Other	21,550

Rep. Roybal: Are you concerned about the rapid increase in the amount of interest on the public debt?

Response: Yes. Interest on the public debt represents a nonproductive, mandatory use of scarce budgetary resources. We must strive to balance the budget and reduce debt held by the public. This will in turn reduce these interest payments.

Rep. Roybal:	**What do you forecast for, say the next five years, for interest on the public debt?**
Response:	Our forecast for interest on the public debt for the next five years (1991-1995) is as follows:

	1991	1992	1993	1994	1995
	(in millions of dollars)				
NET INTEREST:					
Interest on the public debt.....	259,763	258,878	260,125	259,790	257,081
Interest received by on-budget trust funds.....	-49,167	-53,402	-57,414	-61,127	-64,445
Interest received by off-budget trust funds.....	-19,890	-24,586	-30,121	-36,341	-42,765
Other interest..	-17,728	-17,409	-15,626	-14,560	-13,726
TOTAL: NET INTEREST....	172,979	163,482	156,963	147,761	136,145

"HIDDEN PAC MEN"

Rep. Hoyer: **Budget message refers to "Hidden PAC Men" : health care cost, cleanup costs for EPA ($140-200B); unfunded retirement liabilities; savings and loans liability. What steps have been taken within the Management and Budget sections of OMB to address each of these problem areas? How many people in OMB are devoted to oversight of the savings and loan bail out and management oversight of this new agency?**

Response:

Health Care Costs

Rising health care costs directly affect several Federal agencies, including the Departments of Health and Human Services, Veterans Affairs, and Defense, and the Office of Personnel Management. In addition, Federal tax preferences for employer-provided health insurance represents a significant factor in rising health care costs. Each of the OMB offices with cognizance over these agencies and policies devotes considerable resources to analyzing health care issues of cost, quality, and access.

In the early 1980s, OMB created a separate branch -- the Health Financing Branch -- to focus exclusively on Medicare and Medicaid, which together constitute the bulk of direct Federal health spending. In addition to supervisory personnel, and including both the Health Financing Branch and examiners in other branches, over 15 OMB professional staff devote their full time to health care issues.

These staff work on issues of health care cost, quality, and access, and coordinate the annual development of the President's budget. The FY91 President's budget addressed health care costs explicitly, and a full description of the proposals is contained in the budget's discussion of "Reforming Mandatory Programs."

To summarize briefly, the budget notes the rapid and unsustainable growth in health care spending, identifies some of the factors contributing to this growth, and offers several themes for reform. These include: 1) Encouraging a re-organization of health care delivery to favor managed, or coordinated care; 2) Promoting the delivery of appropriate care through increased support for research into medical effectiveness; 3) Reforming physician payment policies to set aggregate limits on payments; and 4) Extending 'prudent purchasing' concepts to Medicare.

Cleaning up Federal Facilities

Several offices within OMB are involved in monitoring and reviewing activities associated with cleaning up Federal facilities. OMB budget staff for the Departments of Energy, Interior, Defense, Transportation and Agriculture and for NASA and EPA have been tracking the extent of the problems faced by these agencies and analyzing the funding needs that these agencies will be facing in the coming years. For example, budget examiners for the Department of Energy, which is facing the greatest challenge in terms of funding and management, participate in the formulation of the agency's Five Year Plan for Environmental Restoration and Waste Management and attend subsequent review sessions of the Plan with representatives of State and Tribal governments. Examiners are heavily involved in reviewing environmental compliance agreements to analyze funding implications and participate in regular reviews of major construction projects. As part of the Presidential Management By Objective monitoring program, OMB staff receives quarterly reports from the agencies on progress toward meeting the objectives of the environmental clean-up programs. These reports allow the staff to track timely achievement of goals and provide an early warning of potential management and budget problems.

Unfunded Retirement Liabilities

With regard to unfunded retirement liabilities, the largest concern is social security financing. Social Security is the largest retirement Federal program. It is basically actuarily sound in that future Social Security payroll taxes, the income tax receipts on Social Security benefits and the interest on the Treasury security held by the trust funds will cover the cost of future benefits.

The Social Security system will be running large surpluses over the next several decades. The Administration's policy is not to use such surpluses for financing other Government spending programs but to use them productively so as to meet the likely future demands that the retirement of the baby-boom generation will place on the Social Security system and the economy. In its 1991 Budget, the Administration proposed establishing a Social Security Integrity and Debt Reduction Fund to safeguard projected surpluses in the Social Security Trust Funds and to reduce the national debt. Reducing the national debt will increase the pool of domestic saving, lower the cost of capital, spur investment and productivity growth, and lead to higher future living standards.

With regard to Federal Government retirement programs, the programs are "mature" and do not have the same demographic problems as social security.

Savings and Loans Liability

A number of offices within OMB are involved in oversight of the FIRREA agencies. Implementation of the 1989 legislation is an issue of concern to senior OMB policy officials, from the Director on down. In addition to supervisory personnel, approximately 5 OMB professional staff devote their full time to this issue.

OMB budget staff work on various aspects of the financial aspects of the FIRREA legislation. OMB budget examiners and their supervisors are heavily involved with the Oversight Board, Treasury and other agencies in projecting RTC financial transactions and translating RTC's cash flows into Federal budget outlays. Also on the budget side, special studies division staff analyze call report data in order to assess the condition of the thrift and commercial banking industries and the potential demands upon RTC and deposit insurance fund resources.

OMB management analysts also are involved in overseeing the implementation of FIRREA agencies. For example, management staff are writing a final determination order that documents the transfer of funds, personnel, and property from the Federal Home Loan Bank Board and FSLIC to the Department of Treasury/Office of Thrift Supervision and the FDIC. Management staff are helping to ensure that financial systems established by the new FIRREA agencies meet Federal financial integrity standards and the vulnerabilities to waste, fraud and abuse are minimized. OMB staff are working closely with the Appraisal Subcommittee of FFIEC to ensure the development of consistent appraisal/appraiser standards government-wide. OMB staff are also attempting to track the Government's inventory of acquired real estate and to develop some coordination among Federal agencies in the disposition of these assets.

Rep. Hoyer: **What is the status of the "milestone reports" on the savings and loan issue? Have there been any reports submitted to you as of yet on this issue?**

Response: OMB receives "Milestone Reports", on a quarterly basis, as part of the President's FY 1990 Management By Objectives (MBO) process. The Milestone Reports include information on objectives, strategies for achieving the objectives, and critical milestones. The reports also discuss actions completed and planned future actions in implementing the strategies.

FIRREA also established a number of reporting requirements for the Federal Deposit Insurance Corporation, the Resolution Trust Corporation (RTC) and the RTC Oversight Board. These reports will cover such issues as financial performance and condition, and issuances of obligations and guarantees. At this point, reports have been delayed by the necessity for RTC to set up a complete accounting system and close the books on third and fourth quarter 1989 transactions. The Administration is working with these agencies to develop appropriate formats for reporting financial information to OMB, Treasury, the Oversight Board and others. In addition, the FSLIC Resolution Fund provides quarterly reports to the Administration and Congress, as a result of FY 1990 appropriations language.

Rep. Hoyer: How many people are now employed in Management? How does this compare with 1982? 1978?

Response: As of March 29, 1990, Management had 66 on-board or in the process of being hired. This compares to 48 in March of 1989. Management is authorized 82 positions. We are currently selecting new staff from a hiring announcement promulgated January 29th and estimate that we will have all positions filled well before the end of this budget year. There were 160 people on the management side in 1978 and 68 in 1982.

Rep. Hoyer: What has been done to ensure that a repeat of the waste and fraud at HUD will not reoccur - both in Management and Budget?

Response: In the aftermath of the disclosure of the HUD scandals, OMB convened a meeting of the Deputy and Under Secretaries of the Cabinet Departments, and the Deputy Administrators of EPA and NASA at the White House on June 23, 1989. OMB requested a fresh assessment of the adequacy of their agency's internal control and audit follow-up programs. As a result of that effort:

- The OMB Task Force on Government Management and Integrity identified, this past summer, more than 100 high risk areas in Departments and agencies.
- A tracking system to monitor the status of corrective actions with respect to these high risk areas is being constructed.
- Studies, audits and other reports from agency Inspectors General, GAO, Congressional staff, and others are being systematically screened to provide early warning of problems.
- A new Management Integrity Branch has been established in the Financial Management Division, and "Management and Integrity" has been included as a Presidentially-approved MBO.
- OMB's Deputy and Executive Associate Director have met one-on-one with each of the major agency Inspectors General and Assistant Secretaries for Management to discuss a range of issues focusing on the agency's integrity program and actions to correct high risk areas.

FINANCIAL MANAGEMENT STANDARDS

Rep. Hoyer: In testimony this year, the Financial Management Service in Treasury stated that there were **no financial management standards for federal agencies.** Director Douglas said that there were no standard accounting practices for the government. Obviously, the question is whether OMB will work with FMS to develop standard accounting practices for the government and minimum financial management standards for all agencies?

Response: There are a large number of existing financial management standards for federal agencies. Noteworthy financial management standards include GAO's Title II accounting standards, Treasury's Federal Agency Financial Reports, and OMB's Circular A-127 "Financial Management Systems."

Recent standards projects include the U.S. Standard General Ledger which established uniform budget and accounting information standards at a high level, the Core Financial Systems Requirements which established functional standards for accounting systems, and the (currently being developed) financial management data standards.

However, there is a significant lag in implementing existing standards. There is also a need to get wider agreement on standards, and to better tailor such standards to the federal fiscal environment. We plan to work closely with GAO and Treasury on these matters so as to make as rapid progress as possible.

DRUG TESTING

Rep. Hoyer: **How much money will the government be spending on drug testing of Federal employees in FY 1991? Of the employees tested in the random program in FY 89 and 90, to date, how many were positive? What percentage of all Federal employees is this?**

Response: Current projections of the cost of drug testing in FY 1991 for the major drug control agencies is $87 million. FY 1989 costs are estimated to be $71 million.

In FY 1989, over 33,000 random drug tests were conducted among the civilian workforce and over 3.9 million tests were performed by the military. Information is not available yet for FY 1990.

The total number of civilian positions designated for testing in FY 1989 was over 400,000. There were over 2.1 million military positions designated for testing in FY 1989. Information is being compiled on the number of Federal employees who have tested positive for controlled substances.

Some information is available for individual departments. For example, the Department of Transportation has conducted 32,885 random drug tests as of March 30, 1990. Of these, there were 158 positive, representing 0.5 percent of the total.

A-76 PROCESS

Rep. Hoyer: How long should the A-76 process continue? Presumably, after agencies have reviewed their accounts for privitization a couple of times, there will clearly be diminishing returns. At some point, and we are probably already there, we are wasting more money on studying A-76 then we are saving in actually implementing contracting out programs.

Response: OMB Circular A-76 requires that agencies review their commercial activities at least once every five years to determine if the activity should remain in-house. Only the General Services Administration (GSA) has indicated that it has begun the process of reviewing activities for the second time.

All of the other departments and agencies are still conducting their initial reviews. Discussions are underway with GSA to assess the effectiveness of these "second cycle" reviews and we have expressed our willingness to entertain a revision to the Circular which would require these types of reviews only if predetermined performance indicators (to be developed) show that the competitive situation favors a second review. The results of discussions will be incorporated into the review that the President's Council on Management Improvement (PCMI) is making of the A-76 program. The PCMI's report is due to OMB in June 1990.

MEASURES OF SUCCESS FOR DRUG WAR

Rep. Hoyer: The State Department recently reported that world production of cocaine was way up. Customs and other drug fighting agencies come in every year and report that they are achieving success - their standards such as seizures, tonnage interdicted, dollars confiscated are all up. My point is that these measures may not measure any success at all. For example, if world production doubles, while our seizures only increase marginally, then obviously, more drugs will be available. If street price has in fact fallen, then what good does it do to seize more at the border?

What standards can we use to measure if we are having any success? What measures can we use to determine if the huge increases we are making in the war on drugs are having any impact? How do we judge success? Can OMB develop such standards? Obviously, without them, since this is such a major focus of government spending, we could end up throwing good money after bad unless we have carefully determined standards to judge by.

Response: Data on the amount of drugs and cash seized tell very little about progress in the war on drugs and certainly no one statistic will determine success or failure. What is known is that drug interdiction is very successful at disrupting the trafficking patterns of smugglers, but that interdiction alone cannot prevent the entry of drugs. The availability of drugs in the United States has not been reduced by simply focusing on the interdiction programs.

Instead, the National Drug Control Strategy promotes a comprehensive approach that focuses on supply and demand reduction. Measuring the progress of this effort will be extremely difficult.

The Strategy provides "Quantified Two- and Ten-Year Objectives" in an attempt to measure the success of Federal programs in the war on drugs. These objectives are located in Appendix D, [Page 117-122] of the National Drug Control Strategy, dated January 1990. Taken together, they are intended to provide some measures of progress. They will be reviewed and refined on an annual basis.

TREASURY, POSTAL SERVICE APPROPRIATIONS HEARING

OFFICE OF MANAGEMENT AND BUDGET FY 1991 BUDGET REQUEST

QUESTIONS FOR THE RECORD, OMB

Capital Budgets for Federal Construction

Rep. Lowery: GSA has often told this committee that it is much cheaper for the Federal Government to own its space rather than lease it. Yet, our present budgeting system discourages construction because projects must be fully appropriated before they can begin.

Has OMB considered shifting to installment purchase for construction projects similar to the private sector? Has OMB granted this authority to any Department or Agency?

Response: OMB has looked at a number of ways in which agencies could make necessary capital-investments without creating traumatic, one-time budget pressures, and we are continuing to seek a solution. That is why we elected to submit a budget amendment scoring new authority for the Federal Buildings Fund to meet their funding shortfall.

Ownership does not always offer the cheapest option for the acquisition of space. In the joint GSA/OMB study of last year, it was agreed that two criteria should be approved to determine the economy of ownership:

- o Where the requirement for space involves Federal functions whose mission, delivery of services, and location makes it highly unlikely that a different building will be needed for 20 years.
- o Space required for agency headquarters operations will be given added weight.

When ownership is determined to offer the best alternative, regardless of the method of financing, normal budget scorekeeping rules require the scoring of the budget authority in the year in which the obligation occurs and the outlays in the year of acquisition or as construction takes place. This approach makes clear the government's obligations and expenditures.

Last year an OMB/GSA task force reviewed the need for long-term facilities. It was determined that there is a shortfall in GSA's Federal Buildings Fund to meet these requirements. GSA was authorized to seek least-cost private financing for 21 projects valued at over $3 billion, on the condition that this least-cost financing be acquired at no greater than 75 basis points over comparable Treasury securities. While least-cost financing is less expensive than leasing, public funding is less expensive than least-cost private financing. This past month a budget amendment was submitted to Congress requesting that additional budget authority of $2.5 billion be provided to the Federal Buildings Fund.

OMB has not provided any department or agency with the authority to purchase a capital good and budget for it over the life of the good. However, OMB is exploring alternative scorekeeping systems that would: (1) spread the outlay costs of acquiring a facility over its useful life; (2) finance the building through the Treasury; and (3) be consistent with current cash scorekeeping principles.

Rep. Lowery: I serve as the Ranking Minority Member on the Military Construction Subcommittee. We have been encouraging the Department of Defense to seek authorization for installment purchase of family housing for three years now. This approach makes a lot of sense to the Subcommittee and the Department. Yet, I understand OMB has turned the Department's request down, maintaining that all costs of the lease were to be scored up front. At what level within OMB has the installment purchase of family housing been discussed?

Response: Installment purchases have been discussed at the highest levels.

Rep. Lowery: It seems to me to be a good alternative. Mr. Darman, what can we do to turn OMB's decision around?

Response: At present, direct Federal purchase of capital assets, such as family housing, is the most economical method for the Federal government. It also meets every test of budget integrity showing the obligations, budgetary commitments and outlays of the Federal government when made.

OMB is exploring an alternate scorekeeping system. The system we envision would: (1) spread the outlay costs of acquiring a building over its useful life; (2) finance the building through the Treasury; and (3) be consistent with current cash scorekeeping principles. We will share the details of this plan with you and your staff as soon as we can.

New Federal Pay Structure

Rep. Lowery: What was OMB's role in developing the President's proposed Federal pay reform? Did OMB have input in determining the cost of the proposed system? How were high cost of living areas determined? San Diego was not included and its costs are comparable to Los Angeles.

Response: The pay reform proposals contained in the President's 1991 budget are designed to help alleviate the most pressing recruitment and retention problems facing the Government. OMB worked closely with the Office of Personnel Management (OPM) in designing the geographic pay differentials, as well as the bonuses for critical skill workers, higher starting salaries for college entry-level jobs, and the authority to hire candidates above the minimum step at certain grades.

OMB used recruitment, retention, employment, and salary data collected by OPM and BLS to arrive at government-wide costs of up to $328 million in 1991.

OPM's review of relative pay data, employee quit rates and other staffing difficulties identified New York, San Francisco, and Los Angeles as the areas most in need of immediate help. These areas were selected on the basis of relative labor costs and staffing difficulties as well as the high cost of living. Based on application of these factors, San Diego was not among the cities requiring immediate relief.

Even though the cost of living may be high in San Diego, this was not the sole basis on which OMB and OPM determined those cities facing the most severe problems.

U.S.-Mexico Sewage Issue

Rep. Lowery: Last October, President Bush and President Salinas of Mexico formally committed our two countries to the construction of an international sewage treatment facility to address the problem of renegade sewage flows from Mexico into the United States. The pact directed the International Boundary and Water Commissions (IBWC) to devise a detailed agreement on the facility within 30 days.

After months of negotiations a consensus has finally been reached. It is my understanding your agency is currently in the process of reviewing this agreement. Would you please share with this panel the status of the proposal and any concerns you may have with the agreement. I appreciate your prompt attention to this matter and look forward to working with you to expedite this agreement.

Response: The President's FY 1991 budget contains $15.7 million earmarked in EPA's construction grants program as the first American contribution to the international sewage treatment plant to be constructed in San Diego.

The American contribution is to be made available under three conditions:

1. Mexico agrees to pay all operations and maintenance costs associated with treating Mexican sewage at the international plant;
2. Mexico agrees that all costs associated with constructing and operating any additional plant capacity to treat Mexican sewage be solely a Mexican responsibility; and
3. Mexico agrees to pay $37 million toward the construction of the plant, an amount equivalent to what they would have spent to build a treatment plant in Mexico (latest number from IBWC) and the cost of a pipeline from Rio Alamar.

The American Commissioner to the IBWC will shortly receive specific negotiating instructions from the State Department, and will proceed in a manner consistent with those instructions so that this international pollution problem may be resolved as quickly and equitably as possible.

U.S. Park Service's Water and Sewage Costs to D.C. Government

Rep. Lowery: Last year, the DC Appropriations Bill contained a provision requiring the District to bill Federal agencies directly for water and sewage services. At that time, the Administration told Congress that the Federal agencies' budget requests already contained funds to pay these costs directly to the District. I recently met with the Park Service and they informed me that OMB had never advised them of the change --- they now find they owe $1.5 million for these services. Did OMB advise all Federal agencies of this change?

Response: Agencies received instructions from OMB to budget for D.C. water and sewer payments beginning with FY 1988 through 1) a government-wide bulletin, and 2) annual budget preparation instructions (i.e., OMB Circular A-11).

Responses to Questions for the Record

Office of Management and Budget

Responses to questions from Representative Daniel K. Akaka

FOREIGN INVESTMENT

Rep. Akaka: **Do you see the need for improvements in the quality and organization of data on foreign investment in the United States?**

Response: There are several improvements in the collection and presentation of international investment data the Administration would like to see occur. Among these are the estimation of direct investment using market values or replacement cost rather than historical cost and improvements in measuring international portfolio investment and other capital flows.

Rep. Akaka: **Is OMB engaged in any effort to formulate an executive policy or legislative proposal to correct gaps and distortions in data collection currently preventing a truly comprehensive view of foreign investment in the United States?**

Response: Consistent with our efforts to improve international financial statistics, the President's FY 1991 budget proposes a $3.4 million increase in the Bureau of Economic Analysis' budget to maintain the quality of the balance of payments estimates and improve international direct investment data. OMB is working closely with the Council of Economic Advisors, the Department of the Treasury, the Department of Commerce, the Department of Labor and others under the aegis of the Economic Policy Council's Working Group on Economic Statistics to study and make recommendations on how best to improve not only statistics on foreign investment, but all major economic series currently collected by the Federal government.

Rep. Akaka: **Has the Administration considered the possibility of merging data between the Census and BEA? If the answer is yes, what kind of information will be provided, what benchmark will be used to generate information, and when will the aggregate and industry-specific data be available to Congress?**

Response: Closer coordination and increased sharing of information among statistical agencies with careful attention to the protection of confidentiality are among the Administration's goals for improving economic statistics. The Administration has submitted a bill to facilitate this type of data sharing between BEA and the Census Bureau. Current plans call for linking data from the most recent benchmark survey, or census, of each agency: that is, BEA's 1987 Benchmark Survey of Foreign Direct Investment in the U.S. and the Census Bureau's 1987 Economic Censuses. The initial link will be based on employment data from these surveys. Within about one year of resources being made available, and put in place, data on employment disaggregated by State and detailed industry for 1987 could be published.

Rep. Akaka: **H.R. 4060 provides for an on-going merge of Census "establishment level" information with BEA "enterprise level" reports on foreign investment. Would OMB please supply an estimate on the cost of such a comprehensive merge, and provide the statistical data and estimate methodology used to determine that estimate?**

Response: BEA and the Census Bureau are currently reviewing the best way to merge the Census' establishment level data with the BEA's enterprise level data. The initial estimate to link the agencies' data as described in the previous answer is between $1 and $2 million per year. The provisions of H.R. 4060, however, go beyond the sharing of data between BEA and Census to include nonstatistical agencies. The estimate above does not include continuing expenditures that would be necessary to deal with disclosures to such nonstatistical agencies. These costs would be incurred in isolating disclosable data for companies that are ten percent or more foreign owned or controlled from other data entitled to the full protection of Section 9 of Title 13. For large amounts of data the costs of separate processing and database maintenance are substantial. Nor does the estimate include the indirect costs resulting from the erosion of public confidence that such data sharing with nonstatistical agencies could engender.

FISCAL YEAR 1991
BUDGET

EXECUTIVE OFFICE OF
THE PRESIDENT

OFFICE OF MANAGEMENT
AND BUDGET

EXECUTIVE OFFICE OF THE PRESIDENT
Office of Management and Budget

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I. Justification for FY 1991 Budget Request

For fiscal year 1991, the Office of Management and Budget (OMB) requests budget authority of $49,305,000. This is an increase of $4,411,000 (9.8 percent) over the 1990 appropriated level, and an increase of $4,988,000 (11.3 percent) over the 1990 post-sequester level of $44,317,000.

Budget Summary
(in thousands of dollars)

	1989 Actual	1990 Enacted	1991 Request
Budget Authority	$39,640	$44,317	$49,305
Outlays	$39,384	$43,939	$48,886
FTEs	524	577	577

For FY 1990 OMB requested, and Congress approved, increased resources for additional staffing, primarily for management functions. This additional staffing is necessary to improve OMB's oversight of Federal agencies to ensure program integrity and effective management. OMB is currently hiring the additional staff, and is not proposing to increase staffing above the FY 1990 level in FY 1991.

For the FY 1991 budget, much of the proposed increase is intended to ensure that staff have the necessary systems and equipment to do their jobs effectively. OMB is requesting increased funding to improve the budget and financial information systems and office automation systems, to maintain 1990 staffing levels, and to fund mandatory rent, ADP supplies, and inflation increases. The increases requested for FY 1991 include:

$44,317,000	FY 1990 enacted level (less sequester)
+2,257,000	Increase for improved budget and financial information systems and office automation (discussed below)
+2,238,000	Personnel cost increase necessary to maintain the FY 1990 staffing level of 577 FTEs in FY 1991
+253,000	GSA rent increase
+240,000	Computer support costs, ADP supplies, and inflation increase for office supplies and subscriptions
$49,305,000	Total FY 1991 request

Improved Budget and Financial Information Systems and Office Automation

For the FY 1991 budget OMB is requesting $2,757,000 (an increase of $2,257,000) for improved budget and financial information systems and office automation. OMB must modernize the budget and financial information systems used in formulating the President's budget. These systems, which have not been substantially updated since they were established in the 1960s, simply cannot perform the necessary data analysis without long turn-around times and burdensome programming. The systems are not responsive to changes in the budgeting process, such as the requirements created by Gramm-Rudman-Hollings. In addition, OMB must be able to track management improvement efforts (including correction of high risk areas and monitoring of the Management by Objectives system). A description of the projects for these systems is included in Section III.

Personnel Costs Increase

For 1991, OMB is requesting an increase of $2,238,000 in personnel funds to maintain the FY 1990 staffing level of 577 FTEs. Over 70 percent of OMB's budget is spent on personnel costs, and another 11.5 percent is for rent payments to GSA. In order to absorb 50 percent of the pay increases for senior executives and general schedule employees, OMB will have to reduce staffing levels by approximately 16 FTEs. Because the 1990 staffing level of 577 FTE is the very minimum necessary to improve oversight of agency programs, OMB is requesting funding for 16 FTEs. A summary of personnel costs is included in Section IV.

GSA Rent Increase

For FY 1991 OMB is requesting an increase of $253,000 to pay higher GSA rates for office space (rates are increasing from $28.83 per square foot to $30.28 per square foot). OMB is not changing location. This is simply a GSA rent increase for current space.

Inflation of Non-Pay Items

The remaining increase of $240,000 is necessary to pay for higher computer support costs, ADP supplies, and an inflation increase for office supplies and subscriptions.

Controlling Costs

OMB has tried consistently to reduce costs since 1981. As described in the Detailed Costs Justification by Object Class (Section IV), cost reductions have been achieved in travel, space, communications/utilities, and printing.

II. Proposed Appropriations Language

SALARIES AND EXPENSES

For necessary expenses of the Office of Management and Budget, including hire of passenger motor vehicles, services as authorized by 5 U.S.C. 3109; $49,305,000, of which not to exceed $4,500,000 shall be available to carry out the provisions of 44 U.S.C. chapter 35.

III. Description of OMB Systems Projects

The Office of Management and Budget is critically dependent on modern information systems in order to function effectively. Information systems are used to analyze and produce the budget, to communicate with other agencies' systems, and to coordinate operations among OMB's own offices. These systems are also used to manage the thousands of documents that are processed here every year, which range from legislative proposals and regulations to public and congressional inquiries and apportionment requests.

The several existing information systems are not compatible, and are becoming obsolete. The result is that there is frequent system break-down, and cumbersome procedures for aggregating government-wide data and communicating with other agencies' systems.

To remedy these problems, OMB is proposing the following five-year systems improvement program.

Summary of ADP Systems Projects
(dollars in thousands)

	1990	1991	1992	1993	1994	90-94
Budget and Financial Info. System	$500	$2,000	$2,142	$1,175	$930	$6,747
Office Automation						
Management/Non-Secure System	200*	262	148	0	0	610
Secure System	85*	120	80	0	0	285
OIRA System	0	100	50	0	0	150
Equipment	455*	275	620	200	250	1,800
Subtotal	740*	757	898	200	250	2,845
Total	$1,240	$2,757	$3,040	$1,375	$1,180	$9,592

* From funds appropriated in FY 1989 for Expenses for Management Improvement.

Budget and Financial Information Systems

The existing information systems were developed piecemeal through the years and cannot meet OMB's present needs for timely budget and financial information. Several examples of needs that cannot be met by the existing systems and how the new system will meet these needs are given below.

Sequester Reports. Under the Gramm-Rudman-Hollings (G-R-H) law, OMB is required to provide initial and final Sequester Reports to the President and the Congress. The procedure specified in G-R-H for producing the Reports involves using data elements that are beyond the capacity of any one of OMB's existing budget systems. Consequently, output from one system must be keyed manually into electronic spreadsheet programs and then processed, and the results must be keyed into the mainframe budget system for final production. This manual keying must be done every time the centrally maintained data changes, which causes enormous waste of staff time and creates unnecessary chances for error in documents of national importance. The new system will have a single relational database that will be flexible enough to adapt to constantly changing requirements.

Updating the Budget Database to Reflect Changes in Economic Assumptions. The existing systems do not have the capacity to modify budget accounts to reflect changes in economic assumptions. These accounts are currently updated in the following manner: revised economic assumptions are transmitted manually to the agencies and run through the agencies' models, and the revised budget information is keyed into OMB's systems -- one number at a time. The procedure generally takes two weeks; and, of course, using more than one set of economic assumptions increases the workload geometrically. The new system will include the additional data elements needed to provide fully automatic updates and analyses of the effects of alternative economic forecasts.

Adjusting Baseline Estimates in the Aggregate Spendout Rate. G-R-H contains several specific requirements pertaining to development of baseline estimates. One of these requirements limits, to one-half of one percent, the change from one year to the next in the aggregate rate at which obligations of the government for discretionary spending become Federal outlays. When the predicted year-to-year change exceeds one-half of one percent, G-R-H requires that OMB adjust the baseline estimates to eliminate this excess. The existing system cannot make this adjustment automatically. Instead, the adjustment must be made manually, as the database for the G-R-H baseline is constructed each August and October. The new system would explicitly recognize the spendout rate as a data element, permit analysis of changes in spendout rates, and allow for the automatic calculation of the degree of change in the aggregate spendout rate that is required under G-R-H.

"252(f)" Rules under G-R-H. The so-called "252(f)" rules under G-R-H are used in determining the effect of the final sequester order on post-sequester appropriations. Because the existing systems do not recognize several data elements used in applying the "252(f)" rules, the effect of the rules cannot be calculated automatically. The new system will recognize the additional data elements and attributes necessary to apply these rules. These tools will accelerate the analysis of post-sequester appropriations and provide more timely review.

Updating Budget Data for Enacted Legislation. In the past, Congress has frequently enacted legislation at the same time that the President's Budget was being developed. It usually takes at least two weeks to incorporate fully the effects of enacted legislation into the current budget databases. Therefore, it is difficult to measure readily the effect of policy decisions. The new system will combine a better data management system with more refined data elements to permit formula-based and interactive updates of baselines. This would significantly reduce delays in updating the database during periods of intense activity.

To correct these and other problems, OMB began planning for the upgrade of the budget and information systems in FY 1989. There are three major phases in this upgrade:

(1) Identifying functional requirements to be met in the upgraded system;

(2) Converting underlying data structures to a relational database and develop prototypes of the new capabilities; and

(3) Implementing these new capabilities while preserving existing ones.

The first phase was begun in FY 1989 and is now complete. OMB is using $500,000 of its FY 1990 appropriation, and is requesting $2 million in FY 1991, to complete the second phase and begin the third phase. OMB is requesting relatively modest amounts for this project, because much of the existing system can be preserved, with some adaptation. Most of the funding requested will be used to develop new capabilities. The estimated total cost for the system (1990-1995) is $6.7 million.

Office Automation Systems

OMB's current office automation systems do not permit all of OMB to produce written documents in a standard format, to transfer documents between users, or to provide for electronic communications. The result is that OMB is hampered in preparing analyses and providing information needed by the President and the Congress.

To correct these problems, OMB is creating an office automation system composed of personal computers linked through networks. This system will provide a rational infrastructure for document preparation, data analysis, and internal communication, including access to the OMB data systems. It will establish a standard technology throughout the agency while providing maximum flexibility to meet varied word processing and data analysis needs, and to accommodate future changes in technology.

In FY 1989, OMB received $1 million in the Expenses for Management Improvement fund, to be spent on office automation improvements. This money is being spent as follows:

$ 85,000	secure system
200,000	management/non-secure system
637,000	office automation equipment
78,000	contingency reserve
$1,000,000	Total

For FY 1991 OMB is requesting $757,000 for office automation systems and equipment. The total cost (1990-1994) of the planned systems is $2,845,000.

In addition to word processing and electronic mail, three specialized components will be developed to perform specific functions: (1) tracking the management activities including the President's management by objectives (MBO) system, (2) handling national security classified and other sensitive information, and (3) tracking the status of regulations in clearance.

Management/Non-Secure System

This system is already under development and implementation, and includes the following features:

-- Tracking of milestones in achieving objectives stipulated in the President's MBO system;

-- Tracking of progress in correcting vulnerabilities in areas of high risk;

-- Tracking of agendas and progress in the President's Council on Integrity and Efficiency, the President's Council on Management Improvement, and the Chief Financial Officers Council and their committees; and

-- Tracking of critical indicators in agency management information systems.

Secure System

This new system will include a secure office automation/communications network available to offices that review budget accounts and programs for the Department of Defense, the national and international intelligence agencies, and law enforcement agencies. This system will have the following features:

- It will provide the capability to process classified material and to share both documents and information through a secure network; and
- It will eliminate the need for hand-carrying classified documents between buildings and will enhance the security of those documents.

OIRA System

The Office of Information and Regulatory Affairs is required under the Paperwork Reduction Act to maintain a public procedure for overseeing agency information collection activities, including the Federal Information Locator System, as well as for regulatory oversight. OIRA also plays an important role in assisting in the review of agency budget proposals and so must be linked with other OMB systems. This OIRA system will:

- Provide the capability for OIRA staff to continuously track and report on the status of actions in the clearance process; and
- Lower maintenance costs and provide flexibility to make changes to the system without costly reprogramming.

Equipment

Equipment costs are broken out separately because the same basic equipment will be used to support all three office automation systems. Equipment costs to support the office automation systems is $275,000 in 1991, with a total cost (1990-1994) of $1,800,000.

IV. Summary Tables

Office of Management and Budget
Salaries and Expenses

Program and Financing (in thousands of dollars)

I.D. Code 11-0300-0-0-802		1989 Actual	1990 Estimate	1991 Request
	Program by activities:			
	Direct Program:			
00.01	Budget Review	5,660	6,268	6,870
00.02	Nat'l. Security & International Affairs	5,595	5,988	6,644
00.03	Economics and Government	4,410	4,671	5,226
00.04	Natural Resources, Energy and Science	5,347	5,528	6,139
00.05	Human Resources, Veterans and Labor	4,613	4,911	5,374
00.06	Director's Office *	4,945	4,828	5,377
00.07	Management **	4,469	6,855	7,764
00.08	Information and Regulatory Affairs	4,558	5,268	5,911
00.91	Total Direct Program	39,597	44,317	49,305
01.01	Reimbursable Program	164		
[illegible].00	Total Obligations	39,761	44,317	49,305
	Financing:			
11.00	Offset collections from: Federal Funds	-164		
25.00	Unobligated balance lapsing	43		
39.00	Budget Authority	39,640	44,317	49,305
	Budget Authority:			
40.00	Appropriation	39,640	44,894	49,305
40.00	Reduction pursuant to P.L. 99-177		(577)	
43.00	Appropriation (adjusted)	39,640	44.317	49,305
	Relation of Obligations to Outlays:			
71.00	Obligations incurred, net	39,597	44,317	49,305
72.40	Obligated balance, start of year	3,579	3,670	4,048
74.40	Obligated balance, end of year	(3,670)	(4,048)	(4,467)
77.00	Adjustments in expired accounts	(122)		
90.00	Outlays	39,384	43,939	48,886

* The Director's Office includes the following components: the Office of the Director, External Affairs, General Counsel's Office, the Administration Office, the Office of Legislative Affairs and the Office of Economic Policy.

** The Office of Privatization has been moved into the Management area.

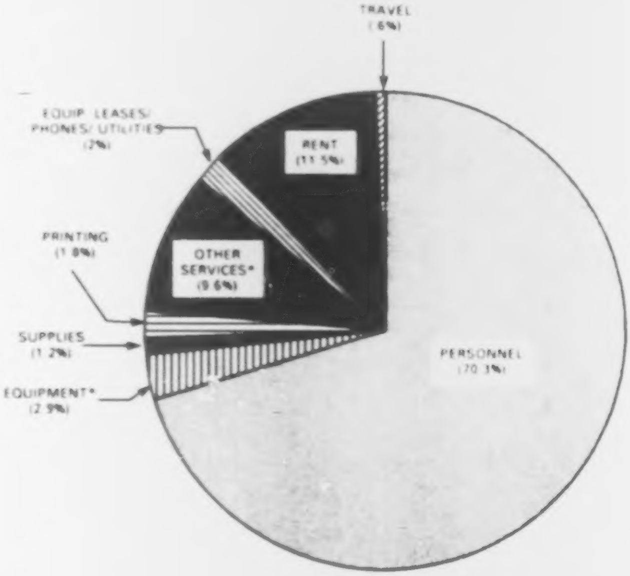
Office of Management and Budget
Salaries and Expenses

Object Classification (in thousands of dollars)

I.D. Code 11-0300-0-0-802		1989 Actual	1990 Estimate	1991 Request
	Direct Obligations:			
	Personnel compensation:			
11.1	Full-time permanent	22,895	26,312	28,403
11.3	Other than full-time permanent	985	1,003	1,003
11.5	Other personnel compensation	694	680	680
11.8	Special personnel svc. payments	112	200	100
11.9	Total personnel compensation	24,686	28,195	30,186
12.1	Civilian personnel benefits	4,009	4,234	4,481
21.0	Travel & transportation of persons	193	320	320
23.1	Rental payments to GSA	5,086	5,393	5,646
23.3	Comm., utilities, and misc. charges	1,034	1,000	1,000
24.0	Printing and reproduction	864	900	900
25.0	Other services	2,904	3,050	4,755
0	Supplies and materials	597	535	600
31.0	Equipment	224	690	1,417
99.0	Subtotal, direct obligations	39,597	44,317	49,305
99.0	Reimbursable obligations	164		
99.9	Total Obligations	39,761	44,317	49,305

Executive Office of the President
Office of Management and Budget

FUNDING REQUEST BY OBJECT CLASSIFICATION



FY 1991

* Out of the total of $6,172,000 for Other Services and Equipment, $4,627,000 (or 75%) is for ADP support ($1,870,000) and ADP projects ($2,757,000)

Detailed Cost Justification by Object Classification

Personnel Compensation (Object Classification 11), $30,186,000

Summary of Personnel Costs
(in thousands of dollars)

	1989	1990	1991
Permanent personnel costs	$22,895	$26,312	$28,403
Non-permanent personnel costs	985	1,003	1,003
Overtime and other personnel costs	806	880	780
Total personnel costs	$24,686	$28,195	$30,186

Personnel Benefits (Object Classification 12), $4,481,000

This amount is requested for OMB's mandatory contributions to the Civil Service Retirement System, the Federal Employees Retirement System, the Social Security Retirement and Medicare programs, the Federal Group Life Insurance program, and the Federal Employees Health Benefits program.

Travel (Object Classification 21), $320,000

This amount is requested for travel funds for the examination of Executive Branch activities outside Washington, D.C., and for other official business by OMB staff. This amount is $110,000 less than that expended in 1981. Since that time, reimbursements for per diem and high-cost areas have increased significantly, which has resulted in a significant reduction in travel by OMB staff.

Rental Payments to GSA (Object Classification 23.1), $5,646,000

This amount is requested for payments to be made to the General Services Administration (GSA) for rental of office space in the Old Executive Office Building and the New Executive Office Building. The rates used are those mandated by GSA for space currently occupied. Rates have increased from $28.83 per square foot to $30.28 per square foot. In order to control costs, OMB has reduced office space. Compared to 1981, OMB currently uses 14 percent less assigned office space.

Communications, Utilities, and Miscellaneous Charges (Object Classification 23.3), $1,000,000

This amount is requested to pay the cost of operating the Executive Office joint telephone switchboard, including salaries of telephone operators, local telephone service costs, and costs of the Federal Telecommunications Service (FTS), postage, and rental of duplicating equipment. This request is $991,000 below the FY 1981 operating level.

Printing and Reproduction (Object classification 24), $900,000

This amount is requested to pay the cost of publishing in the Federal Register; work done by the Government Printing Office (GPO), primarily the printing of the President's budget and related materials, forms, and binding; and work handled by the Office of Administration's duplicating facilities. This request remains $787,000 below the FY 1981 operating level.

Other Services (Object Classification 25), $4,755,000

This amount is requested to pay the cost of: (1) ADP support for various computer information systems maintained through the Office of Administration, (2) computer support costs, (3) computer time-sharing, (4) OMB's share of maintaining an employee health program, (5) maintenance agreements and repairs to equipment, (6) training, (7) funding for ADP systems projects, and (8) other miscellaneous services.

Supplies and Materials (Object Classification 26), $600,000

This amount is requested for the purchase of normal office and ADP supplies and additional work materials, such as legislative bills, reports, enacted legislation, and periodicals.

Equipment (Object Classification 31), $1,417,000

This request is for the purchase of leased equipment when it becomes more cost-effective to buy rather than continue to lease. In addition, this request includes the funding of ADP systems projects.

Explanation & Justification of Changes by Object Class over the FY 1990 Estimated Level (in thousands of dollars)

FY'90 Estimate	FY'91 Request		Net Change
$32,429	$34,667	Personnel Compensation and Benefits Costs necessary to maintain the fiscal year 1990 personnel level of 577 FTE.	$2,238
$320	$320	Travel No additional resources are requested for this object class.	$0
$5,393	$5,646	Rental Payments to GSA An additional $253,000 is requested for mandated GSA rate increases from $28.83 per sq.ft. to $30.28 per sq.ft. for office space.	$253
$1,000	$1,000	Rent, Communications, and Utilities No additional resources are requested for this object class.	$0
$900	$900	Printing and Reproduction No additional resources are requested for this object class.	$0
$3,050	$4,755	Other Services Includes $175,000 for computer support services and a net increase of $1,530,000 for ADP projects.	$1,705
$535	$600	Supplies and Materials ADP supplies for the ADP projects and an inflation increase for office supplies and subscriptions.	$65
$690	$1,417	Equipment Reflects a net increase of $727,000 for ADP projects.	$727
$44,317	$49,305	Total All Object Classes	$4,988

Office of Management and Budget
Personnel Summary

I.D. Code 11-0300-0-0-802	1989 Actual	1990 Estimate	1991 Request
Total number of full-time permanent positions.	496	570	570
Total compensable workyears:			
Full-time equivalent employment.............	524	577	577
Full-time equivalent of overtime & holiday hours..................	8	8	8
Average ES Salary	$75,110	$77,929	$93,726
Average GS Salary	$42,665	$44,266	$45,553
Average GS Grade	11.7	11.7	11.7

Office of Management and Budget
Distribution by Program Area of Full-Time Equivalent Positions

	FY 1989 Actual FTE	FY 1990 Estimated FTE	FY 1991 Requested FTE
Budget Review..............................	73	76	76
Nat'l. Sec. and International Affairs......	66	69	69
Economics and Government....................	58	63	63
Natural Resources, Energy and Science......	66	69	69
Human Resources, Veterans and Labor........	61	63	63
Director's Office *.........................	61	62	62
Management **...............................	53	82	82
Information and Regulatory Affairs.........	60	65	65
Legislative Reference.......................	26	28	28
Total Positions.........................	524	577	577

* The Director's Office includes the following components: the Office of the Director, External Affairs, General Counsel's Office, the Administration Office, the Office of Legislative Affairs and the Office of Economic Policy.

** The Privatization Office has been moved into the Management area.

Office of Management and Budget
Historical Staffing

	Fiscal Year	FTP Authorized Positions	FTE*
Staffing	1977	682	N/A
	1980	571	572
	1981	590	582
	1982	604	596
	1983	604	567
	1984	604	574
	1985	594	557
	1986	594	525
	1987	580	507
	1988	570	525
	1989	570	524
	1990	570	577 est
	1991	570	577 est

* Includes FTE resulting from full-time positions, part-time positions and intermittent hires.

V. OMB Responsibilities and Background

The Office of Management and Budget derives its basic authority from the Budget and Accounting Act of 1921, as amended. This Act, in providing the first comprehensive national budget system, gave the Bureau of the Budget the authority to assemble and correlate, as well as recommend changes to the requests for, appropriations of the several departments or establishments. The Bureau was further authorized to make those detailed administrative studies that would help in securing greater economy and efficiency in the conduct of the public service.

In 1921, in response to a request by the Chairman of the Appropriations Committee, President Harding instructed the Federal agencies to submit to him, through the Director of the Bureau of the Budget, all requests or recommendations for legislation that would require appropriations presently or in the future. This clearance procedure was later extended to all legislation.

OMB, which was created from the Bureau by Reorganization Plan No. 2 of 1970, also now provides the President with an institutional staff capability in executive management, particularly in program evaluation and coordination, management reform, regulatory analysis, and information and management systems.

The functions of the Office of Management and Budget include the following:

-- To advise the President on fiscal and economic policies for the nation;

-- To prepare the budget and formulate the government's fiscal program;

-- To supervise and control the budgetary administration of the Executive Branch;

-- To examine the management and administrative systems of the Executive Branch and to establish policies that will ensure the efficient operation of the Federal Government;

-- To evaluate the performance of Federal programs;

-- To encourage interagency and intergovernmental cooperation and coordination;

-- To clear and coordinate departmental recommendations for proposed legislation and for Presidential action on bills passed by Congress;

-- To assist in the consideration, clearance, and preparation of Executive Orders and proclamations;

-- To keep the President advised of agencies' activities (proposed, initiated, and completed) and to coordinate interagency activities to ensure that funds appropriated by Congress are spent with minimum duplication;

-- To develop and manage programs to improve the quality, efficiency, and performance of acquisition and procurement personnel;

-- To implement and monitor new initiatives on information policy, paperwork reduction, and regulatory reform;

-- To establish policies and methods that reduce fraud, waste, and abuse in Federal programs, including provision of staff support to the President's Council on Integrity and Efficiency and the President's Council on Management Improvement;

-- To develop and implement the President's Productivity Improvement Program, as well as the credit and cash management programs;

-- To direct the Management by Objective (MBO) system established by the President;

-- To develop and implement the Management Integrity System.

The Office of Federal Procurement Policy (OFPP) is a component of OMB. Under the Office of Federal Procurement Policy Act and other authorities, OFPP's budget is separately identified and transmitted in a different budget request and is therefore not included in this budget request.

Organizational Responsibilities

The following is a brief summary of the functions of each of the organizations within OMB.

National Security and International Affairs; Economics and Government; Natural Resources, Energy, and Science; and Human Resources, Veterans, and Labor -- These organizations examine agency programs, budget requests, and management activities; study proposed changes in agency functions; and coordinate special studies aimed at establishing goals and objectives that would result in long- and short-range improvements in the agencies' financial, administrative, and operational management.

Budget Review -- The Budget Review organization develops budget instructions and procedures; coordinates review of agency estimates; maintains budget data systems; reviews agency financial management plans; and prepares the Budget document.

Legislative Reference -- The Legislative Reference Division coordinates the review and clearance of departmental recommendations for proposed legislation and for Presidential action on bills passed by Congress.

Management -- The Management organization is responsible for developing and overseeing the implementation of Government-wide management policies and program integrity, and for ensuring that management improvements are included in the budget. This organization provides policy leadership and reviews agencies' management and control systems, personnel management, cash and credit management, and Total Quality Management programs. The organization also is responsible for Federal-State-local relations, the drug-free workplace initiatives, privatization, program evaluation, and the Management by Objectives (MBO) system.

Information and Regulatory Affairs -- This organization provides policy leadership and assistance to agencies in paperwork management and reduction, ADP telecommunications policy, statistical policy, information policy, and regulatory reviews. Estimates include funds necessary for the Office of Information and Regulatory Affairs to implement the Paperwork Reduction Act of 1980 (as amended by the Paperwork Reduction Act of 1986) and other functions delegated or assigned by the Director.

Director's Office -- The Director's Office provides executive direction and coordination for all of OMB. This includes the Director's immediate office, as well as the offices of administration, external affairs, economic policy, legislative affairs, and General Counsel.

TESTIMONY OF MEMBERS OF CONGRESS AND OTHER INTERESTED INDIVIDUALS AND ORGANIZATIONS

MONDAY, APRIL 2, 1990.

PORT OF HUENEME, CALIFORNIA PORT OF ENTRY DESIGNATION

WITNESSES

EDWARD J. MILLAN, PRESIDENT, BOARD OF HARBOR COMMISSIONERS, OXNARD HARBOR DISTRICT, PORT OF HUENEME, CA

BOB H. JENNINGS, MEMBER, BOARD OF HARBOR COMMISSIONERS, PORT OF HUENEME, CA

Mr. ROYBAL. The committee will come to order.

The committee will now hear from the representative of the Port of Hueneme with regard to Customs.

Mr. Jennings, will you proceed in any manner that you desire?

Mr. MILLAN. I will be going first.

Mr. Chairman, distinguished members of the committee, my name is Edward J. Millan. I am President of the Board of Harbor Commissioners, Oxnard Harbor District, Port of Hueneme, California. I am joined here today by my colleague, Harbor Commissioner Bob H. Jennings. We want to express our appreciation to you for allowing us to present testimony in support of our request for a change in Customs designation for the commercial deep water Port of Hueneme, California.

The purpose of our testimony is to request this subcommittee to support a change in Customs designation for the commercial, deep water port known as the Port of Hueneme, California to an official Port of Entry.

Presently, the Port of Hueneme is a "Customs Station" within the Los Angeles Customs District. The U.S. Customs Service provides services to the commercial shipping interests in the Ventura and Santa Barbara Counties of California.

Over the years, the Port of Hueneme has undergone tremendous growth in international trade and vessel calls. For example, in the past several years, the number of deep-draft vessel calls at the port has increased by over 30 percent; it is also projected that this growth will continue into the future, and by 1992, the Oxnard Harbor District, Port of Hueneme, will exceed the 350 vessel calls criteria for "Port of Entry" status.

Located in the leading U.S. Customs district, the Port of Hueneme is outside of the existing physical boundaries of the Los Angeles-Long Beach port of entry. As part of the Los Angeles Customs

District, the Customs duties collected from the Port of Hueneme "Customs Station" is estimated to be $88 million.

The Los Angeles Customs District is the fastest-growing and the leading district in Customs duty collections. In fiscal year 1989, the Los Angeles district generated $3,487,506,422 in Customs duties, which represents over 62 percent of duties collected from the Pacific regions; further, the Pacific Region collects nearly 30 percent of the Nation's Customs duties.

The importance of the Los Angeles Customs District is well-documented. Likewise, the continued growth of the Southern California world trade marketplace is well-documented. Today, the commercial shipping interest in the Los Angeles District is served by only one Port of Entry: Los Angeles-Long Beach. We believe it is now appropriate to designate a second Port of Entry.

Accordingly, and on behalf of the Board of Harbor Commissioners, we therefore respectfully urge this subcommittee to support the Port of Entry designation for the Port of Hueneme, California.

At this time, I would like to introduce my colleague, Harbor Commissioner Bob H. Jennings, who will offer additional testimony on our behalf.

Thank you, Mr. Chairman.

Mr. JENNINGS. I am Bob H. Jennings, a member of the Board of Harbor Commissioners, Oxnard Harbor District, Port of Hueneme. I have had the privilege of being elected to eight four-year terms and am in my 30th year. I have had the great pleasure of appearing here before Congressman Roybal's committee.

I would like to express my deep appreciation to Congressman Roybal for his distinguished work, for his efforts in the past, and for his tour of the port, and to call to the attention of the committee that the good chairman of the committee is well aware of our problems at the Port of Hueneme, being a member of the California delegation.

Also, I want to say that Members of Congress of the United States represent their own districts and, as the great Congressman from Los Angeles knows, he represents the whole United States of America as well.

And so, we are appealing to the committee today as representatives of the United States of America and of the export-import business which is so essential to the economy of the United States of America.

Nearly 12 years ago, the Board of Harbor Commissioners of the Oxnard Harbor District submitted an application to Robert E. Chasen, U.S. Commissioner of Customs, for a Port of Entry designation. We are a self-supporting seaport with no taxes for the past 12 years. I might call this to the attention of the committee.

As justification for that application, the major cargoes being imported and exported through the Oxnard Harbor District and the Port of Hueneme continues to grow.

In 1982, as a Customs Station, within the Los Angeles Customs District, we obtained part-time Customs Inspection Service. In 1986, the U.S. Customs Service provided the port with full-time Customs inspection. By 1987, the Oxnard Harbor District handled in excess of 600,000 tons of general cargo.

The Board of Harbor Commissioners predicts additional expansion of imports and exports at our facilities. A recent marketing study identified nearly 5 million tons of cargo available within the Southern California market capable of calling at the Port of Hueneme. The current marketing plan for the port is intended to capture approximately 1.5 million tons of that cargo.

The port sees new opportunities to support fresh fruit, commercial shippers from Chile, New Zealand, and Central America, which will balance the nearly 3 million cartons of California citrus exported through the Port of Hueneme.

Additionally, steel imports from Asia can account for a significant increase in tonnage. Finally, automobile imports at the Port of Hueneme will continue to grow. In 1978, the port handled approximately 20,000 Mazda automobiles. Today, the port handles over 100,000 Mazda automobiles and trucks, nearly 6,000 Jaguars, and 30,000 BMWs.

I predict the Oxnard Harbor District will continue to grow. Therefore, this week, the Board of Harbor Commissioners will submit to the Commissioner of Customs, Carol Hallett, a request for a change in designation for the Port of Hueneme to a Port of Entry.

Our time has arrived, Congressman Roybal. It is our time. We face the great Pacific marketplace and so, we come to you, because we have such a national asset for the benefit of the United States of America and its future economic growth because of our seaport.

This change of Customs designation at the Port of Hueneme will benefit the Southern California shipping industry by allowing improved security and transaction activities at the Port of Hueneme and away from the congested Ports of Los Angeles and Long Beach. This benefit will be achieved with little additional cost to the U.S. Customs Service.

In closing, I wish to state: The time has come for the Oxnard Harbor District, Port of Hueneme, to be recognized as a key part of the Southern California shipping community with a Port of Entry designation.

Thank you so much. It has been a pleasure for President Millan and for me to appear here today.

[The information follows:]

Before
House, Committee on Appropriations
Subcommittee on Treasury-Postal Service and General Government
Honorable Edward R. Roybal, Chairman

Testimony of
Oxnard Harbor District
Port of Hueneme, California

Presented By

Edward J. Millan, President
Board of Harbor Commissioners

Bob H. Jennings,
Harbor Commissioner

April 2, 1990

Mr. Chairman and Distinguished Members,

I am Bob H. Jennings, a 30 year member of the Board of Harbor Commissioners, Oxnard Harbor District, Port of Hueneme. I too wish to express my appreciation to the Subcommittee for making time for us to testify.

Nearly 12 years ago, the Board of Harbor Commissioners of the Oxnard Harbor District submitted an application to Robert E. Chasen, U.S. Commissioner of Customs, for a Port of Entry for the Port of Hueneme. In that application, the Board indentified 200,549 tons of general cargo being loaded and unloaded at the Port. The Board projected by 1980 the volume of foreign cargo would increase to 466,500 tons.

Unfortunately, the request for a Port of Entry was denied by the U.S. Customs Service due to a lack of sufficient workload, it was said.

By 1987, the Port handled in excess of 600,000 tons of general cargo; and it is projected that the Port will more than double its general cargo throughput in the near future.

Cargo increases at the Port are anticipated to come in part from the fresh fruit commercial shippers from Chile, New Zealand, and Central America. This will offset and balance the current high level of fresh fruit exports handled at the Port of Hueneme. Additionally, steel imports from Asia can account for a significant increase in tonnage at the Los Angeles/Long Beach Ports. Finally, automobile imports at the Port of Hueneme will continue to grow. In 1978, the Port handled approximately 20,000 Mazda automobiles. Today, the Port handles over 100,000 Mazda automobiles and trucks, nearly 6,000 Jaguar automobiles, and 30,000 BMWs

The growth at the Oxnard Harbor District will continue. Therefore, this week the Board of Harbor Commissioners has submitted to U.S. Customs Commissioner Carol Hallet, a request for a change in the designation for the Port of Hueneme to a Port of Entry.

This change of Customs designation at the Port of Hueneme will benefit the Southern California shipping industry by allowing improved security and transaction activities away for the congested Ports of Los Angeles and Long Beach. This benefit will be achieved with little additional cost to the U.S. Customs Service.

On behalf of Commissioner Ed Millan, and the other members of the Board of Harbor Commissioners not present today, we urge this Subcommittee to support the Port of Entry designation for the Port of Hueneme.

Thank your for your attention.

Mr. Chairman and Distinguished Members Of The Appropriations Subcommittee on Treasury-Postal Service, and General Government,

I am Edward J. Millan, President of the Board of Harbor Commissioners, Oxnard Harbor District, Port of Hueneme, California. I am joined here today by my colleague Harbor Commissioner Bob H. Jennings. We want to express our appreciation to you for allowing us to present testimony in support of our request for a change in Customs Port designation for the commercial deepwater, Port of Hueneme, California.

The purpose of our testimony is to request this Subcommittee to support a change in Customs Port designation for the Port of Hueneme, California to a Port of Entry.

Presently, the Port of Hueneme is a "Customs Station" within the Los Angeles Customs District. The U.S. Customs Service maintains a Customs inspector in residency at the Port, and U.S. Customs provides services to the commercial shipping interest in Ventura and Santa Barbara Counties, California.

Over the years, the Port of Hueneme has undergone tremendous growth in international trade and vessel calls. For example, in the past several years, the number of deepdraft vessel calls at the Port has increased by over 30%. It is also projected that this growth will continue into the future, and by 1992 the Port of Hueneme, will exceed the 350 vessel call criteria for "Port of Entry" status.

Although the Port of Hueneme is outside the existing physical boundaries of the Los Angeles/Long Beach Port of Entry and the Los Angeles Customs District, Port of Hueneme "Customs Station" contributed $88 million to the L.A. District in 1989.

The Los Angeles Customs District is the fastest growing and the leading District in Customs Duty collections. In fiscal year 1989, the Los Angeles District generated $3,487,506,422 in Customs Duties, which represents over 62% of duties collected from the Pacific regions. Further, the Pacific Region collects nearly 30% of the nations Customs Duties.

The continued growth of the Southern California world trade marketplace is well documented. Today, the commercial shipping interest in the Los Angeles District is served by only one "Port of Entry"--Los Angeles/Long Beach. We believe it is now appropriate to designate a second Port of Entry. Accordingly, and on behalf of Commissioner Bob Jennings and the other members of the Board of Harbor Commissioners not present, we therefore respectfully urge this Subcommittee to support the official request for the Port of Entry designation for the Port of Hueneme, California which will be submitted tomorrow.

At this time, I would like to introduce my colleague, Harbor Commissioner, Bob H. Jennings who will offer additional testimony.

Mr. **Roybal.** I wish to thank both of you gentlemen for your testimony.

I have just one question. I notice that 12 years ago, you made your first application and that just recently, you made an application to the new Commissioner. Can you provide this committee with your letter that accompanied the application?

Mr. **Jennings.** We will provide it to the Committee.

Mr. **Roybal.** I ask for that so that I will have something to base myself on when I start lobbying on your behalf.

Mr. **Millan.** We appreciate that and will certainly provide it to you.

Mr. **Jennings.** We believe that the time has arrived, and this is the year of decision for us.

Mr. **Roybal.** I agree with you. Thank you very much.

Monday, April 2, 1990.

CHILDRENS NATIONAL MEDICAL CENTER

WITNESSES

ROBERT A. MALSON, MEMBER, BOARD OF DIRECTORS, CHILDREN'S NATIONAL MEDICAL CENTER

DONALD BROWN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, CHILDREN'S NATIONAL MEDICAL CENTER

DR. MARTIN EICHELBERGER, DIRECTOR OF EMERGENCY TRAUMA SERVICES, CHILDREN'S NATIONAL MEDICAL CENTER

Mr. **Roybal.** Mr. Robert A. Malson, Children's National Medical Center.

Mr. **Malson.** Good morning, Mr. Chairman. Thank you very much.

Good morning, Mr. Chairman, members of the subcommittee. My name is Robert A. Malson, Executive Vice President and Director of the Close-Up Foundation. I appear before you this morning as a volunteer member of the Board of Directors at Children's Hospital, where I also serve as Treasurer.

I am accompanied today by, to my left, Dr. Martin Eichelberger, the Director of Emergency Trauma Services at Children's National Medical Center, and to his left, by Mr. Donald Brown, President and Chief Executive Officer, Children's National Medical Center.

We requested to appear before this subcommittee today because the General Services Administration sets the guidelines and standards for the entire country with regard to the design and construction of all types of facilities.

We are here today to highlight the importance of maintaining state-of-the-art medical facilities and effective and economical health care services for children throughout the Nation. And by means of our testimony, we wish to familiarize you with a new venture that Children's National Medical Center is currently undertaking which we believe will significantly improve the effectiveness, efficiency and quality of health care delivery systems and services in the Greater Washington Metropolitan Area.

With your permission, I would like to submit the balance of my testimony for the record and just deviate a bit and talk a bit.

Mr. **Roybal.** Without objection, your entire testimony as written will appear in the record at this time.

[The information follows:]

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111 Michigan Avenue, N.W.
Washington, D.C. 20010-2970
(202) 745-5000

Children's *Hospital*
Children's *Research Institute*
Children's *Foundation*
Children's *Faculty Associates*
Child *Ventures*

TESTIMONY OF
ROBERT A. MALSON
TREASURER OF THE BOARD OF DIRECTORS OF
CHILDREN'S NATIONAL MEDICAL CENTER

PRESENTED TO
THE SUBCOMMITTEE ON TREASURY, POSTAL SERVICE
AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
U.S. Senate
WASHINGTON, D.C.

April 25, 1990

Mr. Chairman, Dr. Martin Eichelberger and I are pleased to submit testimony for the Record on behalf of Children's National Medical Center.

We requested to appear before this Subcommittee today because the General Services Administration sets the guidelines and standards for the entire country with regard to the design and construction of all types of facilities. We are here today to highlight the importance of maintaining state-of-the-art medical facilities and effective and economical health care services for children throughout our nation. And by means of our testimony, we wish to familiarize you with a new venture that Children's National Medical Center is currently undertaking which we believe will significantly improve the effectiveness, efficiency, and quality of health care delivery systems and services in the Greater Washington Metropolitan area.

Department of Pediatrics
The George Washington University
Medical Center

Many of you may already be familiar with Children's National Medical Center, and the care we provide for the infants, children and adolescents of the region. For over 120 years, we have operated as a voluntary, non-profit hospital, and today we are one of the premier medical centers in the country, offering a comprehensive range of the highest quality, most technologically advanced pediatric care.

We believe that the demonstration center which we propose to establish for the purpose of combatting child victimization will contribute in a significant way to the safety, health and welfare of the region's children, and will serve as a national model for other federal efforts targeted to strengthen and promote this nation's health care priorities.

As we are all aware, there is an intolerable amount of suffering and disease among our nation's children. The number of children who are born in this country without the benefit of adequate prenatal care is astounding. Indeed, the number of children who fall victim to violence, trauma, abuse and neglect has reached staggering proportions. The intensity of the problem is magnified in the country's largest urban areas where children are more likely to be exposed to community violence, poverty, crime, drugs and alcohol, poor housing, maternal drug addiction -- all factors that take a devastating toll on children. I do not need to tell you, Mr. Chairman, that the District of Columbia, with its recent wave of violence, has unfortunately become a prime example of the effect which urban maladies can have on our most vulnerable citizens -- our children.

For example, at Children's National Medical Center last year, we cared for over 100 babies weighing less than 2.2. pounds; we cared for over 1,600 cases of child abuse and neglect (Both sexual and physical); We recorded 56,000 visits in our Emergency Room, from which 1,600 children were admitted with traumatic injuries; we experienced a 500% increase over the prior year in the number of youth admitted because of an assault with a deadly weapon; and we are currently tracking more that 200 cases of HIV positive children.

These statistics tell only part of the story of the perilous conditions and health hazards which currently confront American children and adolescents. We at Children's National Medical Center strongly believe that our proposed National Child Protection, Trauma and Research Center will set an important national standard for quality health service delivery to this nation's children.

Dr. Martin Eichelberger, in his written testimony, will discuss Children's Hospital's specific efforts to implement a comprehensive program geared to the need for criteria to be established by the General Service Administration for research and demonstrations in health services.

Stakes Are High, Resources Low For D.C.'s Child Neglect Unit

By Saundra Torry
Washington Post Staff Writer

By 8:35 a.m., the crunch had hit the D.C. legal office. Paperwork had arrived dealing with five children in trouble.

Before the morning was out, Assistant Corporation Counsel Sonya Steele, one of the city's lawyers, heard from the children themselves.

She gently questioned a shy 10-year-old in braids, who told of years of sexual abuse by her father.

She drew out two rambunctious youngsters, a brother and sister plucked the night before from their home, where, the little girl matter-of-factly told Steele, their parents "were hitting the pipe."

"They're drug addicts," the child said. "I seen it plenty of times."

Steele calmed a 13-year-old, petrified by her mother's violent outbursts, and heard from a little boy, all scrambling legs and precocious grins, who had acted out for police just how his mother snuffed out a burning cigarette on his arm.

Not that there was anything unusual about this morning, a recent Wednesday, for the small band of lawyers who prosecute the avalanche of neglect and abuse cases that is burying the city's social service system.

"What we do is triage," said Henning Vent, an office veteran who likens his work these days to a doctor in an emergency room. "So we're always worried about the one we didn't get to, the one we might have missed."

Indeed, as the unit of six city lawyers geared up for another day at D.C. Superior Court, a few things

See NEGLECT, A6, Col. 1

Stakes Are High for Child Neglect Unit

NEGLECT, From A1

were clear: their office is understaffed, underfunded and overwhelmed. They are getting by, sprinting from courtroom to crisis to troubled child: lawyering on the run, with documents written in longhand and judgments made in a snap.

The office is under pressure from critics, who say that it is too slow in getting some critical cases to court, too overburdened to keep city agencies on track with the law, and too overwhelmed to shepherd cases through the complex system.

Two weeks after Steele grappled with the troubled young lives in her office, she resigned—joining an exodus of four other lawyers who left the neglect unit in the past two years.

Meanwhile, the entire Corporation Counsel's Office has been beset by resignations and weakened by spending curbs. The office currently employs 112 lawyers, or 41 fewer than the authorized strength.

Some lawyers have been lost through attrition, while many others have left because of the growing frustrations and pressures of the job.

Lawyers say that the city's drug crisis has spawned much of the additional neglect caseload, as addicted mothers have abandoned their babies and authorities have plucked children from crack houses or other dangerous environments.

The city recently replaced Steele, but officials say at least three more lawyers are needed.

Bettye Phifer Ames, the unit's supervisor, acknowledges some of the problems, particularly in the areas of client advice and follow-through. "If we can get through trial, I'm lucky," she said. "We don't have the manpower to do much more."

Every neglected or abused child who enters the D.C. court system for help must pass through a gate manned by one of these lawyers. Last year, 917 cases flooded the system—an increase of 50 percent over the year before. The pace has continued this year, with 215 new cases as of last week. Many are the so-called boarder babies, the abandoned infants who have captured the attention of the public as they languish in local hospitals.

The work of the lawyers is grueling, and the stakes—the fate of a child—are high. It is work the public seldom sees, done behind the confidential cloak of the juvenile court system.

By 9:30 each morning, the lawyers rush from their cramped offices on Fifth Street NW to Judge Gladys Kessler's courtroom, the hub of the neglect system, teeming with parents, children, social workers, lawyers and problems enough to stagger any advocate.

One recent morning, Assistant Corporation Counsel Diane Crothers arrived for a hearing on a child allegedly sexually abused by her father. The mother, pregnant with her seventh child, had fled to North Carolina, taking the little girl and four other children with her.

Concerned for the child's safety, Crothers had sought an order for the mother to produce her in court and hoped she would appear that day. But the mother never showed.

The case was continued. For the time being, at least, there was nothing more Crothers or the court system could do.

For Assistant Corporation Counsel Miriam Holmes, the case this morning was a 5-month-old boarder baby at Greater Southeast Community Hospital. As far as Judge Kessler was concerned, the infant had been there far too long.

"I want a report in three weeks," she told Holmes's client, a D.C. social worker handling the case. "One sentence will make me happy: 'This child is placed in a pre-adopt home.' If he's not, then I'll want to hear a lot more."

The hearing took less than 10 minutes. But before the infant could be freed for adoption, Holmes would have to jump through a series of legal hoops, making sure that everything was done to contact the natural parents.

As the lawyers juggled cases and courtrooms, they were forced to cover for one another, often on cases they knew little about.

Vent was caught completely off-guard when the court clerk intoned, "N-844-89," calling a neglect case that had not been listed on Vent's or any city attorney's calendar that day.

"Henning Vent, standing in for one of my colleagues," he told the judge as he stepped into the courtroom well.

Then he turned to Steele, who was sitting in the front row. "Sonya, whose case is this?" he mouthed. She didn't know, but Vent gamely pressed on.

And so it went through a morning court call that lasted well past noon.

The lawyers act essentially as prosecutors, first determining if there is sufficient evidence to charge the parents with neglect and seek legal custody of the child for the city; then handling the case as it winds its way through court, a process that sometimes takes years.

Unlike criminal prosecutors, these lawyers are not in the business of trying to send neglectful parents to jail. Instead, they seek findings of neglect so the city can gain custody and provide the child with a safe home and the necessary city services.

Michael Cobb, chief of the juvenile section—of which the neglect unit is a part—has juggled his staff to keep that unit afloat. But the cases, many born of the city's drug crisis, have continued to mount.

At the same time, the Department of Human Services, whose social workers must investigate the cases and provide the lawyers with evidence, has been decimated by resignations and deluged with work. This development has added to the headaches of the neglect unit.

The upshot, according to many observers, is this: "They are miserable over there [in the Corporation Counsel's Office] . . . . overwhelmed, swamped," as social worker Tom Wells described it.

"They can only respond to the crises," said Marion Baurley, a lawyer who represents children and often plays adversary to the city lawyers in court. "Whatever is screaming the loudest gets done."

No one seems certain whom to blame—the besieged social workers, who must investigate the cases, or the harried lawyers, who must take it from there, petitioning cases into court in a procedure known as papering.

"It is all mired in a web . . . ," said Baurley. But she is sure of one thing: this delay at the front gate "scares people the most. If a kid is lost in the system, then there is no one else to look out for him."

Currently, there are more than 15 children whose cases are awaiting papering by a city lawyer, according to one source. None of the cases is serious enough to warrant police intervention, but social workers believe all the children are in need of help, the source said.

Some private lawyers who in the neglect field say there is no way of knowing for certain how many other distressed children may have fallen between the cracks.

Cobb concedes that demand sometimes outstrips his resources. But he said recently that the situation is improving and more staff may be on the way, courtesy of $32 million in federal money destined to help the District fight the war on drugs.

Having handled many neglect cases himself, Cobb said the work can be rewarding because the right phone call or question can make a difference in a child's life.

"But if you're running from pillar to post, you forget to ask the question or you don't have time to make the call," he said. "And then the frustration and anxiety really grow."

These days, Assistant Corporation Counsel Marceline Alexander said she and her colleagues hardly have time to think. "If we just had time to focus, to learn new techniques, to talk to each other . . . " she said. "We'd be better practitioners."

But there's little time for that in the courthouse or back at the bustling Fifth Street office, where the phones are rotary, the work cubicles small and the pace, strictly chaotic.

The lawyers draft their legal documents in longhand, and wait in line to use the two word processers. Cases are tracked on dog-eared index cards, and the office's first computer has just been installed.

On big wooden benches that serve as a waiting area, children alternately bicker and play. A police investigator, there with an abuse case, helps to answer the eight jangling phone lines, and there is seldom a moment of peace.

The talk is in shorthand, but everyone seems to understand. "Don't you have that baby that went out the window?" one lawyer yelled out in the office. The reply came back, "No, I think that's Marceline's case."

Meanwhile, someone muttered about one more missing case file. "That poltergeist must have struck again," the lawyer said with disgust.

Mr. **Malson**. You may not have had a chance to look at this morning's Washington Post, but there was an article in it talking about the District of Columbia's Child Neglect Unit. The District of Columbia is no different than most major metropolitan areas facing ever-growing number of children who are subject to abuse, child neglect and trauma brought about through the epidemic of drugs and violence that is affecting our Nation.

For five years, I served as the senior policy advisor to the District of Columbia's Department of Human Services, where I wrote policies dealing with child abuse, homelessness and various other aspects of difficulty having to do with the breakdown of the social system of our Nation.

It was that work that led me first to Children's Hospital and eventually to the Board of Directors there. The business that we are here about today, Mr. Chairman, is to talk about our proposed National Trauma Center.

At this point, I would like to turn the testimony over to Dr. Eichelberger, who will speak about the experiences that he has as the Director of our Trauma Unit.

Dr. **Eichelberger**. Mr. Chairman, how are you this morning? I appreciate the opportunity to come and talk to you.

I would like to submit my testimony, my written testimony, and perhaps explain to you——

Mr. **Roybal**. Without objection.

[The information follows:]

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Children's *Hospital*
Children's *Research Institute*
Children's *Foundation*
Children's *Faculty Associates*
Child *Ventures*

TESTIMONY OF
DR. MARTIN R. EICHELBERGER
DIRECTOR, EMERGENCY TRAUMA SERVICES
CHILDREN'S NATIONAL MEDICAL CENTER

PRESENTED TO
THE SUBCOMMITTEE ON TREASURY, POSTAL SERVICE
AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
U.S. SENATE
WASHINGTON, D.C.

April 25, 1990

Mr. Chairman, as the Director of Emergency Trauma Services at Children's Hospital, I see the devastating effects of child victimization every day. Our trauma unit treats victims of accidental and intentional injury, and as a result, we are the initial caregivers for children who are suffering from violence and abuse, as well as other traumatic injuries such as gun-shot wounds and drug overdose.

As Mr. Malson emphasized, we wish to submit testimony for the Record regarding the pressing need for top-notch clinical care and prevention programs for this nation's victimized youth. The demonstration center which we propose will also conduct research into the many unknowns of victimization, and share findings with those responsible for the health of children in the District of Columbia and with other Children's Hospital's and Medical Centers across the country.

Recognizing that Child Victimization is manifested in so many ways, we have decided to focus on five pressing areas that demand immediate attention:

Department of Pediatrics
The George Washington University
Medical Center

- **Child Abuse Prevention and Protection**
- Substance Abuse
- Trauma Emergency Medical Care
- Pediatric AIDS/HIV
- Critical Care

In these areas of concentration, Children's National Medical Center will conduct research, provide clinical care, organize community outreach, education and prevention campaigns. Each component of the new Center will have ready access to the resources of the other components in order that the comprehensive nature of the program will be maximized. Our proposed National Child Protection, Trauma and Research Center will serve as a demonstration model for other medical centers and Children's Hospitals throughout the country by making the program components and research knowledge available for replication, as appropriate.

Since this is a national demonstration project that will establish standards that can be applied throughout the country, the General Services Administration should be involved in the project from its inception to assure that the correct parameters of design are identified from the beginning. Children's National Medical Center will build upon its strengths and combined expertise through the expansion of its existing programs and facilities.

Our Trauma Unit is already viewed by other hospitals as the undisputed leader in pediatric trauma care methodology. With the expanded space that the new Center will afford, the trauma component of the Center will allow more children and their families to benefit from our "continuum of care" system which works toward achieving the fullest possible rehabilitation for all those victims of traumatic injury.

Through an active child advocacy agenda and intensified public awareness programs, the Center will promote the prevention of child abuse and will expand our parenting education activities. The Substance Abuse component of the Center will emphasize the education and prevention aspect of controlling substance abuse, and will include an active research function.

Children's Hospital will apply its interdisciplinary special infectious disease team to the operation of a model pediatric AIDS/HIV program within the new Center. Research on HIV infection and its treatments will be expanded, as will new systems for tracking and treating HIV-infected children. We will develop and distribute educational materials for use by hospitals nationwide, and establish a model pediatric HIV clinic for the provision of diagnostic, therapeutic, and counselling services.

Finally, the Critical Care Component will provide intensive care to improve the survival of low-birthweight infants and critically ill and injured children. This component will also build upon the expertise of the Hospital's neonatal care unit, a nationally recognized Center of Excellence for the Mid-Atlantic region, equipped with state-of-the-art technology, and allow more critically ill children to receive advanced, life-saving treatment.

These five components will work together under the unified umbrella of the National Child Protection, Trauma and Research Center toward the eradication of child victimization in our community. As we strive to deliver quality health care to children here in the District, and in the surrounding region, we will demonstrate to the rest of the nation that unique and innovative solutions can be found to the pressing health problems effecting this country's most prized natural resource -- its children.

Mr. Chairman, given the fact that our proposed Center will make a significant contribution to the safety, health and welfare of the children in the greater Washington area, and will serve as a major resource to other Children's Hospitals throughout this nation, I would like to ask your consideration and support for this project. The applicability of the standards established by this Center will benefit public and private efforts to transfer the lessons of child protection, drug abuse and trauma treatment that we will learn here at Children's National Medical Center by means of this demonstration project.

Dr. Eichelberger. I think it is important to keep in mind that every day, we have children who are victims of neglect in a lot of different ways, maybe by not wearing a seat belt or by not feeding a child, or maybe a child who doesn't adequately get proper care.

As you see in this article that is before you from The Washington Post, it is a very common occurrence. I travel throughout the country as a surgeon who is interested in care to children.

To give you an example, there was a young family just three weeks ago in Pennsylvania whose father is a truck driver who was off on the road while the mother was carrying three children in the car. She had a head-on crash and this mother was in a small hospital up in the middle of Pennsylvania with an eight-month-old, three-year-old and a five-year-old.

The unfortunate problem was that all three of these children were severely injured and the mother died in the crash. The hospitals up in this particular part of the country had no ability to take these children. Either they didn't have the space, they didn't have the personnel, or they didn't have access to a major center.

So, from Pennsylvania, they called the Children's National Medical Center in Washington to ask for assistance. It could have been assistance in any city in the State of Pennsylvania. However, they called on us because of our commitment to keeping these kids and providing these kids care. The children were flown to us.

We have three children now who are probably going to survive. But we have an eight-month-old who had a major head injury that will require long-term rehabilitation. This child will probably never be able to speak and walk.

We have a youngster who is five years old that had a major injury from a lap belt. Interestingly enough, three or four months ago, we asked the Department of Transportation what information they had on the safety of safety belts in the back seat for kids who are three, five, six years of age. We were very surprised to find that there is very little information that exists on that particular aspect.

We started to work with them in collaboration to come up with some kind of research data that would help your children and my children from the standpoint of deciding whether or not we should recommend for them to use two-point lap belts in the back or three or four-point lap belts.

The people who fly the F-14s and race their cars in the Indianapolis 500 have eight and nine-point belt systems and those people do just fine, but we can't get that for kids. This kind of problem now is extended even further, because the parents, the mother died. The mother was from New York and the dad is from Pennsylvania.

The child needs rehabilitation which he will probably get in the State of Delaware. It is important for you to realize that we are a national resource as well as a regional resource, but these kids are being triaged by us every day.

Another example is a kid from Tampa, Florida, who has a 40-percent burn, being treated in Tampa General and in an adult unit. They have a tremendous number of problems with this youngster, and finally medivaced the youngster to Children's Hospital.

The emergency rooms are closing all over the United States. One of the problems we see is if we don't become active in our advocacy for children as victims, they are going to end up having an extremely difficult time.

We also have kids who come in, I don't know if you are aware of this, but abuse is linked with trauma all the time, and these, one of the things that concerns me about this article is that this article gives you a tremendous example of the fact that many of these kids are burned or are in the hospital and we have no place to send those children. That means that those children are generally a tremendous burden from a fee standpoint for hospitals throughout the United States.

One of the things that we need to do as a community is to come up with innovative programs to be able to provide that to communities. We are now a hospice. We keep them until they have some place to go. This Child Protection Trauma and Research Center will give us the opportunity to use the resources and the capabilities that we already have to put programs together, almost in a locked, a turnkey type of situation where we would actually give the model programs to cities all over the country.

We are already doing that in our safety programs and doing it in our child abuse programs. One of the things that we don't right now is we don't have the space or the facilities to continue to do that.

We have the wherewithal, we have the intelligence and we also have—are positioned quite nicely here in Washington to talk with individuals like yourself who represent people from all over the country. That way, we can kind of customize that turnkey program to what you need in your local areas.

We have experience with that. We are committed to improving that, and I hope that you will look favorably upon this program, sir.

Mr. Roybal. Okay. Anything else?

Mr. Malson. I would like to conclude, Mr. Chairman, by saying that part of what we are striving to do here is develop the research that is required to help hospitals around the country. Part of what we do is delivery health care services to the children of this community.

Over 50 percent of our in-patients come from Maryland, 34 percent from the District, and 13 percent from Virginia. The balance from other parts of the country. So we deliver the in-house care.

In addition to that, research is generated from this program which benefit hospitals around the country that are struggling to deal with this problem. We brought with us today some photographs of some of the most recent types of trauma situations that we have come across in the hospital, and a couple of rather graphic pictures to show some of the children injured.

This is a youngster, a patient of mine, whose brother, 17 was driving. A 12-year-old brother was in the right seat. The brother in the front was restrained, had not a scratch on him. The boy on the right front seat died instantly and this little girl spent approximately eight weeks on a ventilator in our hospital.

You can see the people out there in the field are extremely important. That fellow probably had maybe 80 hours of training so that before the child gets to us, there are a lot of things that can happen on the street.

This is an example of two things. One is our critical care capabilities. I am sure you are acutely aware of the nursing shortage that exists throughout the United States, and being able to keep high-quality nurses by bedside is extremely important. We need to have that quality care.

This is a little girl who was wearing a lap belt and sustained a fracture of her spine and is now a paraplegic. A young lady who will never have any bowel function, never have any continence. Unfortunately, we as a community now will have to help that kind of family. These are young families that don't have the wherewithal. Her parent happens to be an Air Force officer.

Many kids have no family at all and are neglected and don't have the wherewithal. Finally, these are the kinds of babies we take care of. Kids from all over the country that need ECMO, the extra corporeal membrane oxygenation, where we put small babies on a partial heart by-pass and have taken these kids that had an 80-percent mortality rate and made it to an 80-percent survivable rate now.

The technology and wherewithal is there. Our problem is trying to put pilot programs together to benefit the Nation's children.

Mr. ROYBAL. I have some questions that I would like to submit to you if you would be kind enough to provide the answers for the record.

I have one question that I would like to ask now. That question is with regard to the General Services Administration that sets the guidelines, standards for the entire country. Are you having problems with GSA?

Mr. MALSON. I would like to defer to Mr. Brown.

Mr. BROWN. Mr. Chairman, not at all. We think that this project fits the criteria established by the GSA. It would serve as a demonstration project across the country. It would be a model for health care delivery and research, and clearly fit that criteria for design, structure and serve as a demonstration project.

Mr. ROYBAL. GSA does come under this subcommittee, you are correct. I was under the impression from the testimony that there was some problem involved. I am glad to know that there is no problem.

Mr. BROWN. Just a request for support.

Mr. ROYBAL. They are a good agency and one can work with that agency. We cannot say that about every agency in the Federal Government, but we can about this one. I thank you gentlemen for your testimony.

MONDAY, APRIL 2, 1990.

INTERNAL REVENUE SERVICE

WITNESSES

JAMES P. HOLDEN, CHAIRMAN, TAXATION SECTION, AMERICAN BAR ASSOCIATION

LAWRENCE B. GIBBS, FORMER CHAIRMAN AND FULL COMMISSIONER, AMERICAN BAR ASSOCIATION

Mr. ROYBAL. The next witness is Mr. James Holden, American Bar Association.

Would you proceed?

Mr. HOLDEN. My name is James P. Holden. I chair the Taxation Section of the American Bar Association. I am testifying today on behalf of the American Bar Association, and as you have already noted, Mr. Chairman, I am accompanied by Mr. Lawrence Gibbs, the former Chairman and full Commissioner.

Mr. ROYBAL. May I say that you are in good company?

Mr. HOLDEN. Mr. Gibbs is a very active and valued member of our association and was active in preparing this testimony. The Association has long supported the position that good government requires adequate funding of the IRS.

The Administration's 1991 budget asks for an increase. We strongly support this recommendation. The Internal Revenue Service is an important resource for the Federal Government, and it would collect $1.1 trillion net after paying refunds.

In order for our system to continue to function properly, our citizens must be both willing and able to comply with their tax obligation and in this turn, requires that IRS be adequately funded to assist those who are trying to comply and to detect those who have failed to comply.

We support a balance between taxpayer assistance and enhanced compliance and enforcement.

On the subject of taxpayer assistance, for example, since 1976 our low-income taxpayer committee has worked with the IRS volunteer income tax assistance program to establish VITA programs as many law schools as possible to assist low-income taxpayers in preparing their return.

Almost half of the ABA schools have participated in the VITA program, and we are proud of our participation in that effort.

In the area of enhanced compliance, we are working with the Internal Revenue Service to improve the compliance and enforcement programs of the Internal Revenue Service. Quite recently, we worked with Representatives of Congress and the Administration to simplify that to make more effective the civil tax penalty program.

That was accomplished in legislation this past year, very much supportive of that effort by the Congress. The Administration's 1991 budget allocates additional funds to modernize computers and information systems of the IRS. This effort is one of the most, if not the most, important parts of the IRS budget.

One of the complaints that we tax practitioners hear from our clients is the frustration of taxpayers who get persistent computer-generated notices and warnings from the IRS, despite increasing efforts to explain that they made a mistake.

In order to correct this and other problems, we feel it is imperative that the IRS computer system be updated. The President's 1991 budget also provides a $4 million increase in resources available to IRS inspection function and to fund the Treasury Inspector General for oversight of the IRS management integrity.

It is important for the public to believe that IRS operates with the utmost integrity not only in dealing with taxpayers, but also in its internal functioning. Recent allegations and investigations by a subcommittee of the Congress, have indicated some problems, and it indicated that it is appropriate for IRS and others outside the Service to take a look at its integrity programs, to ensure their appropriate functioning, particularly those related to the IRS managers and executives.

The Service has to its great credit responded to this by outlining an ambitious program for internal review and changes in its inspection program. And it has announced its support for outside review by an independent private sector review panel which I am pleased to serve as the chair.

We urge your support for this aspect of the President's budget and funding to deal with integrity issues.

The ever-expanding complexity of the Federal income tax is of increasing concern to us. We and the AICPA completed a two-day invitational conference in January on the subject of income tax complexity. Speakers came from the Congressional staffs, the Treasury and Internal Revenue Service and the Tax Practice Community. That conference produced a widespread view that income tax complexity is a very serious problem, and while it is one that is not easily resolved, it deserved our continued effort at resolution.

On February 7, in this area, I testified before the Ways and Means Committee on the 1986 Tax Reform Act. Generally, I stated that we support the fundamental objectives of that Act which were to broaden the income tax base and to reduce income tax rates.

However, at the same time, I expressed concern that this was only one of 153 different laws changing the tax rules over the last 15 years. Similarly, on March 23rd, I testified before Senator Pryor's subcommittee of the Senate Finance Committee on the excruciating complexity of the laws governing employee benefit plans.

In today's world, there will inevitably be changes in the tax law and the IRS will be called upon to deal with those changes and to meet the increased demands, it is important that the IRS be consistently and adequately funded.

We also continue to be concerned about the inadequate levels of compensation for public sector employees. It is doubtless unrealistic to expect IRS pay scales to match or even to approximate those of major business corporations, accounting firms and law firms.

This subcommittee has been supportive to provide additional funding to the IRS. We are well aware of your personal efforts in that respect, and we applaud those efforts. We support the proposed 1991 budget for the Internal Revenue Service.

We hope that we will be able to work with your colleagues in the Ways and Means Committee to minimize the impacts of complexity. We continue to support higher levels of compensation for IRS professionals. We hope that the Congress will treat these 1991 proposed increases as a first step in a process toward more adequate funding of the Internal Revenue Service.

If these actions are taken, your constituents will be winners for it. We appreciate very much this opportunity to share these views with you, Mr. Chairman.

Mr. **Roybal**. Thank you very much.

Mr. **Holden**. May I include the entire written statement for the record?

Mr. **Roybal**. Without objection.

[The information follows:]

TESTIMONY OF JAMES P. HOLDEN
ON BEHALF OF THE SECTION OF TAXATION
AMERICAN BAR ASSOCIATION

SUBCOMMITTEE ON TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT OF THE HOUSE APPROPRIATIONS COMMITTEE
April 2, 1990

Mr. Chairman and Members of the Subcommittee:

My name is James P. Holden. I chair the Taxation Section of the American Bar Association. I am testifying today on behalf of the American Bar Association at the request of L. Stanley Chauvin, Jr., President of the Association. On behalf of the 27,300 members of the Tax Section and the 375,000 members of the American Bar Association, I am pleased to appear before you to discuss the budget of the Internal Revenue Service for FY 1991.

Overview

The American Bar Association and the Tax Section have long supported the position that good government requires adequate funding of the Internal Revenue Service. For most of the last decade we have supported additional funding for the Internal Revenue Service in light of its continually increasing workload. For the last two fiscal years, 1989 and 1990, the Internal Revenue Service has been severely underfunded.

The Administration's 1991 budget recommendation for the Internal Revenue Service dramatically reverses this trend. It proposes a major increase in the IRS appropriation. We strongly support this recommendation and urge that it be seen as the first step in a long-term investment in the health of the Nation's tax system.

As massive deficits continue to overhang our economy, we all must remember that the Internal Revenue Service is, after all, a critically important resource for the federal government. With adequate funding, it can take important steps toward taxpayer understanding, acceptance and compliance with the tax system, and it can, of course, pursue effective enforcement measures. The sustained viability of our tax system, root and branch, compels actions like adoption of the newly proposed IRS funding level and future efforts in the same direction.

Importance of Funding the Tax System

In fiscal 1991 IRS will collect $1.1 trillion net after paying refunds. With this revenue our country pays for benefits that all of us enjoy in this country and around the world. In order for our tax system to continue to function properly, our citizens must be both willing and able to comply with their tax obligations. This, in turn, requires that IRS be adequately funded to assist those who are trying to comply and to detect those who have failed to comply. A well-funded Internal Revenue Service is the key to assuring that taxpayers will remain willing and able to comply, and therefore to assuring the integrity of our tax system.

The Administration's 1991 budget proposes a $635.2 million increase for the Internal Revenue Service and an additional 3,667 average positions for fiscal 1991. With this support added to its current funding, the Internal Revenue Service has stated that it will:

- process 192 million tax returns and issue 81 million refunds,
- assist over 80 million taxpayers through direct assistance, including toll-free telephone service and taxpayer education activities,
- improve its tax enforcement capability to reduce accounts receivable and increase the number of examinations of corporate and individual tax returns, and
- enhance its drug enforcement capability.

These objectives represent a balance between assistance to taxpayers who are trying to comply and detection of those who have failed to comply.

The American Bar Association and the Taxation Section support this balance between taxpayer assistnce and enhanced compliance. On taxpayer assistance, since 1976 our Low-Income Taxpayer Committee has sponsored a program to provide voluntary assistance to low-income taxpayers in preparing their federal income tax returns. Our Committee, in conjunction with the Law Student Division of the ABA, has worked with the Internal Revenue Service Volunteer Income Tax Assistance Program (VITA) to establish VITA programs in as many laws schools as possible across the country in order to assist low-income taxpayers in preparing their tax returns. For the last several years, almost one half of the ABA-accredited law schools nationwide have participated in the VITA program. In recent years, the total has approached 100 law schools. We are proud of the work that we are doing with the IRS in expanding the VITA program to assist taxpayers who are trying to comply with their tax obligations.

On enhanced compliance, several committees of the Tax Section have been active in working with Internal Revenue Service to improve the compliance and enforcement programs of IRS. Most recently representatives of several of our committees worked with Members and staff of Congress, as well as IRS and Treasury and representatives of other professional organizations, to simplify and make more effective the civil tax penalties that may be applicable when taxpayers fail to comply with their tax obligations. We were pleased to be able to participate in the legislation that was passed last fall to reform the civil tax penalty system.

Modernization of IRS Computer and Information Systems

The Administration's 1991 budget allocates additional funds to the multi-year effort by IRS to modernize its computers and information systems. This effort is one of the most--if not the most--important part of the IRS budget. It has been only five years since the computer failures of the 1985 filing season of IRS. It is well known that IRS continues to use a computer systems architecture that was designed in the 1950's and built in the 1960's. As such, the system has been described as an "ice-age" computer system, given the improvements that have occurred in information system technology over the last thirty years.

One of the complaints we tax practitioners hear most often from our clients--and one which we suspect Members of Congress hear from their constituents--is that taxpayers get persistent computer-generated notices and warnings from IRS despite increasingly frustrating efforts to explain to the IRS computers that they have made a mistake. The present technology has proved exceedingly difficult to convince. This annoying facet of American life is of course, at bottom, a problem generated by obsolete computers.

It is imperative that the IRS computer system be updated, and the proposed 1991 budget increase of $146 million for that purpose is a significant first step in the process. It is a step that deserves your support. The goal of the IRS systems modernization effort is to create a system that will enable IRS to provide taxpayers with the quality of service to which they are entitled and to improve the productivity and efficiency of its compliance activities.

At the invitation of the Internal Revenue Service, representatives of the Taxation Section and others have met with IRS officials to become better acquainted with IRS plans to modernize its computers and to make suggestions about changes to enhance the quality of service to taxpayers and their representatives that the new system will provide. We urge your continued support of this important IRS program.

IRS Management Integrity

The President's 1991 budget also provides a $4 million increase in the resources available to the IRS Inspection function and to fund the Treasury Inspector General for oversight of IRS management integrity. This too is an important program which deserves your support. As indicated by the mission statement of IRS, in earning the respect and confidence of the American public, which is so vital to the proper functioning of our self-assessment tax system, it is important for the public to believe that IRS operates with utmost integrity not only in dealing with taxpayers but also in its internal functioning. Recent allegations have suggested that it is appropriate for IRS and others outside IRS with oversight responsibilities to take a more careful look at IRS systems and procedures to insure the soundness of its integrity programs, particularly those relating to IRS managers and executives.

The Internal Revenue Service has responded by outlining an ambitious program for internal review and changes in its inspection program. It has, moreover, announced its support of additional, outside review of its integrity programs and procedures by the Inspector General of the Treasury Department and by an independent, Private Sector Review Panel of which I am the Chair. The Tax Section agrees that it is important to assure the American public of the soundness of the integrity programs at IRS, and we therefore urge your support of the President's proposed increase.

The Need for Stability in IRS Funding

As important as it is for this Subcommittee to support the proposed 1991 budget for IRS, it is even more important that you view the 1991 increase as the first step in a long-term program to fund the Internal Revenue Service consistently and adequately to administer our Nation's tax system. During the past decade, it was not until the disastrous 1985 filing season that IRS received additional funding to provide adequate resources to administer our tax system. And after several years of additional funding, during the last two years the IRS appropriation has not been nearly adequate to permit the agency to deal efficiently and effectively with its increasing workload.

For example, the ever expanding complexity of the federal income tax law is of increasing concern to us and, we are sure, to the Subcommittee. The ABA Tax Section and the AICPA completed a two-day invitational conference in January on this subject. Speakers and participants came from Congressional staffs, both present and former, Treasury, the Internal Revenue Service, and the tax practice community. The conference produced a broad consensus from all corners that complexity is a severe problem for the income tax system, and while the increasing complexity is neither easily nor readily resolved, it is a problem that is worth hard, continuing efforts at resolution.

Complexity in the law leads to complexity of administrative interpretation by IRS, difficulty in providing simple tax forms and instructions to taxpayers, and a pervasive and seriously unfortunate lack of understanding of even the simplest parts of the law by taxpayers generally, their lawyers, their accountants and return preparers. Our system is, after all, one of self-assessment and voluntary compliance. Both rest, at bottom, on an understandable tax law.

On February 7, I testified on behalf of the ABA and Tax Section before the Ways and Means Committee on the 1986 Tax Reform

Act. Generally, I stated that the American Bar Association and the Tax Section continue to support the fundamental objectives of the 1986 Act--broadening of the tax base and reduction of income tax rates. However, I expressed concern about the fact that the 1986 Act is only one of 153 laws that have been passed over the last 15 years changing the tax rules with which the American public and its advisers must deal. I expressed concern about the magnitude and velocity of annual tax changes which, if unchecked, may affect the ability and willingness of the public to comply with their tax obligations and the ability of IRS to administer the tax system effectively. Similarly, on March 23 I testified before Senator Pryor's Subcommittee of the Senate Finance Committee on the excruciating complexity of the laws governing employee benefit plans.

We recognize, however, that even with efforts to reduce complexity and to preserve as much stability as possible in the tax law, in today's world there are still going to be tax changes. Inevitably, therefore, the demands upon IRS will continue and will increase. To meet these increased demands, it is important that IRS be consistently and adequately funded as these changes take place.

In this connection, despite legislation last fall that over time will increase salaries that IRS is able to offer to attract and retain qualified personnel, we continue to be concerned about the severely low levels of public sector pay. IRS competes for employees with private organizations requiring accounting, legal and computer skills. Under present circumstances, it is doubtless unrealistic to expect IRS pay scales to match--or even to approximate-- those of major business corporations, accounting firms, and law firms. But matching may well be unnecessary to maintain a highly talented and capable work-force at IRS: a great many people in our society find the stimulation and rewards of public service well worth significant differences in dollar compensation. They do, however, need enough pay to meet the growing costs of living in our society--rapidly escalating housing costs, the continually mounting expense of putting one's children through college, and the many similarly increasing charges that cannot be met with psychic income.

We urge your continued attention to, and support of measures to meet this very real and very serious problem.

Conclusion

This Subcommittee has generally been supportive over the years of efforts to provide additional funding of the Internal Revenue Service. We urge you to continue your support of IRS by:

1. Supporting the proposed 1991 budget to provide IRS with the resources needed to improve its service and assistance to taxpayers who are trying to comply and to deal with taxpayers who are not complying, to permit IRS to modernize its computers and information systems, and to assure the soundness of the IRS integrity programs;
2. Working with your colleagues in the Ways and Means Committee to minimize the change and complexity in the tax laws with which taxpayers, their advisers and IRS must deal;

3. Supporting continued efforts to provide sufficient levels of compensation to enable IRS to recruit and retain the qualified, professional employees who are essential to proper functioning of this very important national resource; and
4. Treating the 1991 budget increase as the first step in a process which must be steadily sustained in future years.

The American Bar Association and the Taxation Section believe that if these actions are not taken, the losers will be the American public and ultimately the American society which our tax system supports. Conversely, if these actions are taken, the winners will be your constituents and our way of life in this country which our tax dollars help maintain.

The Taxation Section stands ready to assist you and your staffs wherever and whenever appropriate. Our goals are to maintain the essential soundness of our tax system, to work to improve it, and to educate our members about it. We look forward to working with the Subcommittee to those ends.

Mr. **Roybal**. There is one thing I want to go over with you for just a moment. That is that I, too, was delighted that the Administration, for the first time in many years, recommended an increase for IRS. I think it is long overdue.

However, when we get to the Floor, this is going to be one item that is going to be challenged, not because they don't think that IRS should have more money for modernization and everything else, but because of the attitude of many IRS inspectors and workers who seem to be according to what I have been told, that anyone that appears before them for any little mistake that he might have made or might have left out, that he has to prove his innocence before anything is settled.

Members of Congress are receiving many complaints about that particular subject matter. That is going to be challenged on the Floor. It is not going to be an easy matter to answer, but I suppose we have done enough in this committee to be able to say, that we have tried. This is what we did when the Director of IRS was before the committee, and Mr. Gibbs knows that.

I think that everything is going to be all right. On the other hand, it is going to take some debate. I would like to pass these bills with minimum debate, if possible. So, any help that the Bar Association can give us in that regard in making available some kind of funds to train people properly, and get them out of that habit of thinking, elevating their egos so high that they think that everyone that comes before them is guilty of something. We need to make IRS employees understand that they are there to help the American taxpayer.

Mr. **Holden**. We believe, Mr. Chairman, it is very important that the IRS operate with a customer orientation, and I know that Mr. Gibbs has spent a lot of time thinking about this. I invite him, with your permission, to comment, if I may.

Mr. **Roybal**. Mr. Gibbs?

Mr. **Gibbs**. Mr. Chairman, at the risk of being redundant, I have said over the last three years that I felt taxpayers were entitled to expect and to receive courteous, prompt, fair, even-handed treatment from the Internal Revenue Service; that I thought that the Internal Revenue Service's mission, to encourage voluntary compliance, needed to be predicated on that kind of treatment of taxpayers.

One of the comments—I have had this question raised a number of times, and having said that and without need to detract from what I said in any way, I would contrast the United States tax system to most of the other systems around the world.

We are one of the only countries around the world where our citizens file their returns, assess themselves, and we pay 80 percent of our citizens refunds before ever asking them a question. In most countries, when you file your income tax return, it is a matter of the tax man or tax person coming out and visiting with you and telling you how much the tax person thinks you owe before you ever have a chance to tell your story.

One of the reasons why the taxpayer bears the burden of proving that the taxpayer's return is correct is because in our country, the taxpayer files a return, assesses themselves and we pay a refund. The government actually pays money out.

The only person that has the information with respect to the return is the taxpayer himself or herself. That is the reason why the taxpayer is required at the time of examination, instead of at the time of filing his return in most other countries to talk to the IRS.

Nevertheless, having said that, let me go back and reiterate that at the time the taxpayer deals with the Service, the taxpayer is entitled to courteous, prompt, fair and even-handed treatment.

Mr. **Roybal**. I think that that is a point right there, that he is not getting fair, courteous treatment. I suppose that this is the minority of people that complain to the committee. Not the majority who complain about the IRS, not the majority. But, nevertheless, we get those complaints.

And we have to defend it on the Floor.

Mr. **Holden**. I will——

Mr. **Roybal**. It is very difficult to defend on the Floor something that we know does in fact exist, because I get those complaints in my District. I get them from all over the country, since I am chairman of this committee. We get them in writing.

So, something is wrong somewhere, and that has to be fixed. I admire the work of the IRS. I know that they are the best, but by golly, common decency has to come first, I think, in dealing with the public.

A courteous agent is the most valuable agent that you have, regardless of what he does. The fact that he is courteous and knows how to deal with people is an asset to IRS. He may be the wisest accountant that you have, but nevertheless, with the computers and everything else, the proper attitude is as important as being able to add and subtract properly.

But that courtesy and the way you deal with people is something that has to be learned. We haven't been able to convince the IRS that this is a must, that they have to put money into that kind of a person.

Mr. **Holden**. Mr. Chairman, we appreciate your articulating the problem in that way. On behalf of the ABA, I have undertaken to go back and see how the Bar can help with this problem.

Mr. **Roybal**. Thank you. We can help one another.

Monday, April 2, 1990.

NATIONAL ARCHIVES

WITNESSES

JOHN A. FLECKNER, NATIONAL COORDINATING COMMITTEE FOR THE PROMOTION OF HISTORY

PAIGE PUTNER MILLER, DIRECTOR

Mr. **Roybal**. The next witness, Mr. John Fleckner, National Coordinating Committee for the Promotion of History.

Mr. **Fleckner**. Good morning, sir.

I am John Fleckner, elected President of the Society of American Archivists. Today I am here representing the National Coordinating Committee for the Promotion of History. Accompanying me today is Paige Putner Miller, Director.

I want to emphasize I am not speaking as a representative of the Smithsonian Institution this year. I am speaking on behalf of the National Coordinating Committee for the Promotion of History, which consists of more than 50 archival and historical organizations representing more than 75,000 individuals. We agree with the Archivist of the United States that a strong National Archives truly is a "Cornerstone of Democracy", and we urge you to make substantial increases in the budget of the National Archives to assure that this cornerstone survives.

All Americans have been thrilled by the winds of freedom sweeping across Eastern Europe. We have paid most attention to free elections and economic liberty. Most notable, in the context of this hearing, is the struggle of Eastern Europeans to tell their own histories.

Eastern Europeans, sometimes in the face of guns, have demanded that their historical records be accessible to document the past abuses and to stand as a testimony against future tyranny.

Most Americans take the right to our own history entirely for granted. After all, our laws require that government officials document their actions and that we protect government documents.

No, the day-to-day threat to our historical record isn't tyranny, but it is neglect.

Unfortunately, that neglect is most evident in our National Archives. Tight budgets for more than a decade have left the National Archives with approximately the same number of employees it had 15 years ago, with more than one-third of its records inadequately accounted for, with enormous logs of records that have not been properly evaluated for their historical content, and staff and other resources are not available, with sharply reduced capacity to provide reference services despite the fact that demand is increasing.

Finally, with insufficient funds for the grants program of the National Historic Publications and Records Commission. We urge this committee to consider a fiscal year 1991 budget of $150 million. This would be an amount $22 million above the Administration's proposal.

The amount we request would represent an increase of approximately 17 percent, not 2.5 percent. But it is an amount that would be consistent with the proposals for the Library of Congress and the Smithsonian Institution, both of which are attempting to rebuild their eroded base budgets and to rebuild their infrastructures.

It is also consistent with the thrust of the President's budget initiative entitled "Preserving America's Heritage" which unfortunately omits the mention of the National Archives entirely.

We are pleased, of course, that the NHPRC for the first time in nine years has not received zero funding from the Administration. This small program has had an extraordinary impact across the United States, fostering the identification and use of historical records.

The program has accomplished this with an annual appropriation of $4 million, an amount that has been unchanged for the last

12 years, and thus, its value has been increased by inflation over that period.

We join with Congresswoman and Commission Member Lindy Boggs in recommending an additional $4 million for a total appropriation of $8 million that would be included in the $150 million we recommend.

Turning now to the operating budget of the National Archives, the $22 million increase that we recommend is a first step to remedy deficiencies that have been accumulating for more than a decade. These are essential if the National Archives is to meet its mission and meet its standards for historical records.

No new programs, no dramatic public activities. The first step is identifying that portion of the historical record created by the government that has long-term value. Right now, the National Archives doesn't have the staff to go out and identify schedule and transfer records of historical value.

This is particularly urgent in the area of electronic recordkeeping, where the physical record, computer tape or the disc is useless unless it is accompanied by the technical specifications and technical resources in order to read and manipulate its content.

The National Archives needs resources to care for the records it has already on hand. These include not only documentation for research events, but the vast quantities of records from World War II. These will become especially important as we commemorate the 50th anniversary of that struggle. We certainly owe it to the generation that lived through and fought that war that we not neglect the record that tells and preserves that story for the future.

Lastly, the National Archives needs to make its holdings accessible to citizens. That begins with knowing what the contents of the records are in its custody. Too many records have not been adequately analyzed and described. The National Archives needs new funds for information systems so they can track records and so that researchers of all types can have access to it, and that there can be a suitable level of accountability for its holdings.

On behalf of the community of archivists and geneaologists, political scientists and the thousands of other users of the National Archives, I thank you for your willingness to listen, and I urge you to increase funding for the National Archives to the full $150 million level.

[The information follows:]

The Society of American Archivists

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Mary Jo Pugh
Consultant

Robert Sink
New York Public Library

Donn C. Neal
Executive Director

Testimony of John A. Fleckner
President, Society of American Archivists

on behalf of

THE NATIONAL COORDINATING COMMITTEE FOR THE PROMOTION OF HISTORY

before the

Subcommittee on Treasury, Postal Service, and General Government
of the Appropriation Committee

of the

U.S. House of Representatives

on April 2, 1990

I am John Fleckner, elected president of the Society of American Archivists. Today I do not represent the Smithsonian Institution, where I am the archivist for the National Museum of American History. Rather, I am speaking on behalf of the National Coordinating Committee for the Promotion of History. This consortium consists of more than fifty archival and historical organizations representing more than seventy-five thousand individuals. We agree with the Archivist of the United States that a strong National Archives truly is a "Cornerstone of Democracy" and we urge you to make substantial increases in the budget of the National Archives to assure that this cornerstone survives.

All Americans are thrilled by the winds of freedom sweeping across Eastern Europe. . While we focused most of our attention on the struggles for free elections and economic liberty, Eastern Europeans also have struggled for less visible rights. Most notable -- in the context of this hearing -- is the right to control the telling of their own history and to have access to, and protection of, the archives where that history is recorded. Eastern Europeans, sometimes in the face of guns, have demanded that their historical records be accessible to document past abuses and to stand as testimony against future tyranny.

For most Americans, the right to our own history is a right we take entirely for granted. After all, our laws require government officials to document their actions and to protect government documents and we have agencies to select and preserve records of value for the future. No, the day-to-day threat to our historical record is not tyranny but neglect. It is the failure to invest now to assure that future generations enjoy the right to their past as we enjoy that right now.

Unfortunately, that neglect is most evident in our National Archives. Frugal budgets for more than a decade have left the National Archives with approximately the same number of employees it had fifteen years ago; with more than one-third of its records inadequately accounted for; with vast backlogs of older records in agencies lacking proper evaluation for potential historical content; with growing quantities of electronic records requiring specialized equipment and technical staff; with sharply reduced capacity to provide reference services despite escalating public demand; and with insufficient funds for the grants program of the National Historical Publications and Records Commission.

The NCC member organizations urge this committee to consider an FY91 budget for the National Archives of $150 million. The administration has requested $128 million for the National Archives, including $4 million for the NHPRC. This figure is an increase of only 2.5% over last year's budget. The increase we recommend is approximately 17% and is comparable to increases urged for the Library of Congress and the Smithsonian Institution in their efforts to rebuild eroded base budgets and infrastructures. It also is consistent with the thrust of the President's budget initiative entitled "Preserving America's Heritage" which, unfortunately, omits mention of the National Archives.

We are pleased, of course, that for the first time in nine years the Office of Management and Budget has not submitted zero funding for the National Historical Publications and Records Commission (NHPRC). This small program has had an extraordinary impact across the country in fostering the identification, preservation, and use of historical records, many of which have been in danger of complete loss. State archives and historical societies, local governments, public libraries, Indian tribes, and educational institutions all have benefitted from NHPRC grants. Moreover, these grants serve as seed money to attract private and state support for continuing programs to care for and study the documentary record. Finally, the NHPRC takes a national leadership role in developing standards, guidelines, and models to increase the effectiveness of archives and historical agencies everywhere.

The NHPRC has accomplished all this with an annual appropriation of $4 million. Despite scrupulous administration of these funds, their buying power has eroded as this amount remained unchanged over the past twelve years. The NCC joins Congresswoman and Commission member Lindy Boggs in recommending an additional $4 million for a total appropriation for NHPRC of $8 million for FY91.

Turning now to the operating budget of the National Archives, the $22 million increase we recommend above the administration amount is a first step to remedy deficiencies which have accumulated for more than a decade. These funds are essential if the National Archives is to begin to meet its mandated mission and to bring its operations up to professional archival standards. The funds needed are for basic, core functions, not new or dramatic activities, but the everyday, behind-the-scenes work upon which the success of the agency rests. Unfortunately, the small budget increases granted to the National Archives in the past several years have been entirely absorbed in facilities rental and maintenance, some 38% percent of the agency budget, and legislated pay raises.

Identifying that small portion of federal records which have historical value is a critical first step. The National Archives lacks sufficient staff to maintain regular contact with agencies and to assure systematic identification, scheduling, and transfer. This is especially urgent in the area of electronic recordkeeping because unlike paper records, the physical record — the disk or tape — is useless without the accompanying technical specifications necessary to "read" and manipulate its information content. Because the technology of electronic recordkeeping is changing rapidly, active involvement in current records systems is essential if their contents are to be preserved.

The National Archives also needs new resources to organize and preserve the records already at hand. These include not only the documentation for such recent notable events as the Congressional investigations of the Iran-Contra affair and the deliberations of the AIDS Commission, but vast quantities of records from World War II. The latter have special importance as we commemorate, individually and collectively, the fiftieth anniversary of that event. Surely we owe that brave generation the assurance that the records of its sacrifices will not be diminished by our neglect.

Lastly, the National Archives needs resources to make its rich holdings accessible to all citizens. Access begins with knowledge of the contents of the records. Today at least one-third of all the holdings have not been adequately analyzed and described because of insufficient professional staff. The National Archives needs substantial new funds to implement a planned automated information system. This system will describe and track records and thereby assure a level of accountability consistent with professional standards for archival management. Finally, professionally trained staff are needed to counsel and assist citizens who turn to the National Archives for a record of their past.

World War and Vietnam veterans, Native Americans, family historians, historic preservation planners, environmentalists, journalists, lawyers — these and many other citizens expect that their history, that the nation's history, rests securely in the National Archives. On their behalf, and on behalf of the community of archivists, historians, librarians, genealogists, and political scientists — all represented by the National Coordinating Committee — I thank you for your willingness to listen. We urge you to increase funding for the National Archives for FY91 to $150 million and to include in that amount $8 million for the NHPRC grants program.

Mr. ROYBAL. It is because we agree with you that this committee throughout the years has appropriated more money than requested in the Administration's budget. We don't know what we are going to be able to do this year, but you can be sure that we will take a good look at it and see what we can do to be of help.

Thank you very much.

MONDAY, APRIL 2, 1990.

U.S. POSTAL SERVICE

WITNESS

DAN DOHERTY, ALLIANCE OF NONPROFIT MAILERS

Mr. ROYBAL. The next witness is Mr. William C. Jones, National Democratic Policy. Is he present?

[No answer].

Mr. ROYBAL. Next is Mr. Dan Doherty.

Mr. DOHERTY. Good morning, Mr. Chairman.

I am Dan Doherty, Executive Director of the Alliance of Nonprofit Mailers, a coalition of about 100 organizations, many of them having chapters and affiliates all over the country. I have provided a membership list.

I appear today in support of full funding for the revenue foregone account that supports continuation of reduced postal rates for certain mailers including qualified nonprofit organizations.

That sum, according to the Postal Service's estimate, currently is $484,592,000. One of the effects of the Postal Service's recently filed request for the postal rate increases would be to increase the revenue foregone requirement. We won't know the outcome for another 10 months almost, but the Postal Service testimony in that case would indicate a $31 million increase might be forthcoming in February of 1991.

The Alliance is a full intervenor in the present case and intends to take a very active role in the interest of its members and in nonprofit mailers in general.

You can be sure that, among other things, we will be giving a serious look to the Postal Service's filing on the revenue foregone computation and its impact not alone on nonprofit mailers, but on the Treasury as well.

We have a record in that respect, having raised the issue in the 1984 rate case, which led to the adoption in 1986 of the so-called equal markup calculation, which significantly reduced the amount of the revenue foregone requirement.

The pending rate increase as proposed would impose significant rate increases on nonprofit postal ratepayers, higher increases on average than those proposed for comparable classes of regular-rate mail.

For nonprofit third class, the average increase would, by USPS computations, be 23 percent. For nonprofit second-class publications, it would be even higher—28.3 percent on average.

Let me give a couple of examples. One voluntary health organization devoted to research on and care of persons inflicted with an all-to-common disease, estimates the costs of its publishing department alone would rise more than a quarter-million dollars per year under the USPS proposed rate schedule.

Another Alliance member, a well-known research hospital with a national, really international, reputation, estimates its third-class rates, based on current mailing practices, would rise between 33 and 37 percent.

I do not intend to take a Polyanna attitude and tell you that there are no problems associated with nonprofit mailings. There are, of course. The Alliance, as it happens, takes very seriously its own charter provisions that make "the proper use and management" of the nonprofit mailing privilege one of our goals. We share the concerns that have been expressed in this very room at, for instance, the meetings last year of the Conference Committee on the Fiscal Year 1990 Treasury-Postal Appropriations bill.

But we also are deeply concerned that many of the solutions proposed would have unintended effects on organizations and operations that are not abusing the privilege. We feel strongly that the good accomplished by nonprofits through the use of the reduced rate privilege vastly exceeds the effects of a really small amount of abuse.

I think the nonprofit community feels like a neighborhood with a bunch of nice trees but with utility running through it. When they see them unloading a lot of chain saws and a lot of heavy mulching equipment and they say they are only going to do light trimming, we get concerned.

After last year's conference a special committee was established by the Alliance to address concerns about so-called commercial mailings at nonprofit third-class rates, and also our own concerns arising out of a Postal Service enforcement program and new interpretations in the field of the existing regulations.

Thanks to Congressman Hoyer and the University of Maryland, you heard at first-hand about some of our concerns when the Postmaster General appeared before you.

That case well made our point, I believe, that USPS has been retroactively cracking down on nonprofit mailings that it for years not only tolerated but encouraged.

The Alliance's special committee adopted, last December, a position paper on this issue, complete with general and specific recommendations.

I know all members of this subcommittee have been mailed at least one copy, but I would ask, Mr. Chairman, that a copy of our complete position paper of December 14, 1989, be made a part of the record here today.

Also, I have attached summaries with our recommendations to the copies of this statement provided to the subcommittee.

Mr. **Roybal**. Without objection, that will be ordered.

Mr. **Doherty**. Since our position paper was adopted, we have seen the Office of Management and Budget's proposal to somehow carve $112 million from the revenue foregone requirement. And we have seen the Postal Service's offering in response to your request, Mr. Chairman, that it craft a legislative provision.

What we have not seen is a repeat of the OMB's annual suggestion of recent years that revenue foregone be effectively zeroed-out in favor of the establishment of separate sub-classes for preferred-rate mailers.

The separate sub-class option, as that plan was generally known, now is proposed for government mail instead.

I would like to briefly discuss the various OMB proposals that would affect nonprofit mailers, as well as the legislative language provided to you by the Postal Service.

Before I start with the Postal Service language, however, I would observe that we in the Alliance believe that each of these present very significant and somewhat complicated problems that, in most cases, run counter to the Administration's avowed support for 1,000 points of light.

The language provided to you by Assistant Postmaster General William T. Johnson on February 21 presents the Alliance with serious problems, even though the Postmaster General's report to you on February 1 did not seem to require such a draconian approach.

But its draft language, certainly under any strict interpretation goes beyond anything previously proposed. It would appear to bar from nonprofit rates any mailings that included reviews of books or of unbiased product comparisons, even those of voluntary health organizations on drugs or prepared foods for constituencies with specific health-related requirements. It would appear to bar even the mention of certain services by a membership organization, and would most certainly bar the mention of travel-related programs.

That would heavily impact student exchanges, universities and specialized programs offered for senior citizens.

We believe it might bar from nonprofit eligibility publications that do not qualify for second-class entry, maybe because they are issued only semiannually. The language likely would double the postage costs of religious organizations that raise needed funds by offering appropriate greeting cards. I could go on.

The point is that we believe this draft language is seriously flawed, would jeopardize countless nonprofit organizations, and is not what the subcommittee would seek to enact.

The OMB proposal, submitted by letter to Speaker Foley and the Vice President on March 7, also addresses the question of so-called commercial mailings. It would return to the formula first proposed by the Postal Rate Commission in 1986, by using a standard that would require that half the labor in producing or assembling a product be expended by members or beneficiaries of the mailer. That is a standard postal acceptance clerks would have a hard time applying.

It would rule out all travel and insurance programs and all other services, unless they are provided by members or beneficiaries of the mailer. No contracting out would be allowed in this OMB plan. No premiums with a value above that of a throw-away item would be permitted. And nonprofit publications with more than 10 percent advertising content in any issue would be barred from using nonprofit rates.

Two very substantial provisions in the OMB proposal would redefine the current understanding of what "educational" means to restrict that qualifications to organizations administering "a course or course of instruction through a teacher-student relationship in school," and forbid political advocacy, whatever that is.

We incline towards the view that politics is the process of administering civilization and thus touches on virtually all subjects.

Among the losers of their nonprofit privileges under this proposal, if it means what it says, would be many libraries, most museums, symphony orchestras and other arts groups, as well as the journals and other publications of many organizations and societies which seek to expand our knowledge of our world and of ourselves. The Alliance adamantly opposes redefinition of "educational" in such a manner as OMB proposes.

We have just as adamant a position in opposition to the curtailment of nonprofit rates for mailings that seek to influence legislation. So much for voluntary efforts to help stem the problems of substance abuse.

OMB apparently would prefer to just say "NO" to three of our Alliance members who have so effectively worked through the Coalition of Smoking or Health (American Cancer Society, American Lung Association, and American Heart Association) to change America's attitude toward smoking in public places, including domestic airline flights OMB would do the same to a nonmember, Mothers Against Drunk Driving, which has effectively worked to change state laws on such matters as the minimum age for alcohol purchases and lower-blood alcohol levels for determining a driver's degree of impairment.

In summary, then, Mr. Chairman, the Alliance believes there are very serious problems with each of the proposals put forward to restrict use of nonprofit mail rates. These require most careful consideration. Meanwhile, even while we face the certainty of very substantial rate increases next February, we ask that this subcommittee provide the funding needed to forestall an even earlier rate boost that would come in the event of an appropriations short fall.

We ask your understanding and we ask approval of the Postal Service's revenue foregone estimate of $484,592,000.

Thank you for the opportunity to appear today and make this request.

[The information follows:]

ALLIANCE OF NONPROFIT MAILERS
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202-462-5132

Statement of Daniel P. Doherty

on Behalf of

Alliance of Nonprofit Mailers

Before The

Subcommittee on Treasury, Postal Service
& General Government

Committee on Appropriations

U.S. House of Representatives

April 2, 1990

Mr. Chairman and Members of the Subcommittee, I am Dan Doherty, Executive Director of the Alliance of Nonprofit Mailers, which is a coalition of about 100 organizations, many of them, however, with chapters and affiliates all across the country. I have provided copies of our current membership roster with the statements provided for your use. I contemplate that a number of new names will appear on the roster following a meeting of the Alliance's Board of Directors two days from now.

I appear today in support of full-funding for the revenue forgone account that supports continuation of reduced postal rates for certain mailers, including qualified nonprofit organizations. That sum, according to the Postal Service's estimate, currently is $484,592,000.

Unfortunately, one of the effects of the Postal Service's recently-filed request for postal rate increases would be to increase the revenue forgone requirement, according to USPS testimony filed at the Postal Rate Commission. Based on the Postal Service's filing, that increase for FY91 would be about $31 million, though the outcome will not be known for nearly 10 months.

The Alliance of Nonprofit Mailers, I should note, had as the impetus for its founding in 1980 the need for cooperative effort in financing and pursuing effective representation in the highly technical proceedings that occur each time the Postal Service proposes rate changes. The Alliance is a full intervenor in the present case and intends, as in the past, to take an active role in the interests of its members and of nonprofit mailers in general. You can be sure that our attorneys and economic counsel will, among other items, give serious attention to the effect of the Postal Service's filing on the revenue forgone computation and its impact, not alone on nonprofit mailers, but on the Treasury as well. We have a record in that respect, having raised the issue in the 1984 rate case, leading to the adoption, in 1986, of the so-called equal markup calculation. The equal markup amendment significantly reduced the revenue forgone requirement without impacting on the rates paid by the Alliance constituency.

The pending rate case, as proposed, would impose significant rate increases on nonprofit postal rate payers; increases that are higher on average than those proposed for comparable classes of regular-rate mail. For nonprofit third-class, the average increase would, by USPS computations, be 23 percent. For nonprofit second-class publications, it would be even higher - 28.3 percent on average. But the nature of the USPS filing makes it clear that the consequences would not fall evenly on all mailers. We know of many whose best estimates put the impact much higher, even approaching 50 percent for some nonprofit organizations' typical mailings.

Let me give a couple of examples. One voluntary health organization devoted to research on and care for persons inflicted with an all-to-common disease, estimates the costs of its publishing department alone would rise more than a quarter-million dollars per year under the USPS proposed rate schedule. This includes the impact of second-class rate increases ranging from 31 percent to 48 percent on its publications, as well as increases of up to 30 percent on associated third-class mailings. This does not even take into account fundraising or other mailing costs that will be incurred by the organization.

Another Alliance member, a well-known research hospital with a national, really international, reputation, estimates its third-class rates, based on current mailing practices, would rise between 33 and 37 percent. And the director is concerned about the costs and the intangible effects that might be the result of altering current practices in order to take full advantage of the work-sharing discounts that are such a significant part of the Postal Service's filing.

Not all of our members are alarmist, I must admit. But that only points up the fact that the Postal Service's understandable drive for automatable mail and work-sharing in general is going to result in a wide variety of rate impacts, since some mailers will be able to take advantage and adjust their practices while, for others, it may be difficult at best, if not nearly impossible.

And no one can fully predict the final outcome of the rate case, though a new rate schedule will follow very quickly on the PRC's recommendations, you can be sure. So planning ahead is most difficult.

Planning ahead, however, is always difficult for nonprofits because of the annual uncertainty about revenue forgone and the various schemes, if I may call them that, for restricting eligibility to mail at the preferred rates.

I do not intend to take a Pollyanna attitude and tell you that there are no problems associated with nonprofit mailings. There are, of course. The Alliance, as it happens, takes very seriously its own charter provisions that make "the proper use and management" of the nonprofit mailing privilege one of our goals. We share the concerns that have been expressed in this very room at, for instance, the meetings last year of the Conference Committee on the FY90 Treasury-Postal Appropriations bill. But we also are deeply concerned that many of the solutions proposed would have unintended effects on organizations and operations that are not abusing the privilege. We feel strongly that the good accomplished by nonprofits through the use of the reduced rate privilege vastly exceeds the effects of a really small amount of abuse.

Very quickly after last year's Conference, the Alliance Board of Directors established a special committee to address the concerns about so-called commercial mailings at nonprofit third-class rates, and also our own concerns arising out of a Postal Service enforcement program and new interpretations in the field of the existing regulations. Thanks to Congressman Hoyer and the University of Maryland, you heard at first-hand about some of our concerns when the Postmaster General appeared before you. That case well made our point, I believe, that USPS has been retroactively cracking down on nonprofit mailings that it for years not only tolerated but encouraged. Universities and alumni clubs have been among the first to feel this bite, but they are not alone.

The Alliance's special committee adopted, last December, a position paper on this issue, complete with general and specific recommendations. I know all members of this Subcommittee have been mailed at least one copy, but I would ask, Mr. Chairman, that a copy of our complete position paper of December 14, 1989, be made a part of the record here today. Also, I have attached summaries with our recommendations to the copies of this statement provided to the Subcommittee.

Since our position paper was adopted, we have seen the Office of Management and Budget's proposal to somehow carve $112 million from the revenue forgone requirement. And we have seen the Postal Service's offering in response to your request, Mr. Chairman, that it craft a legislative provision. What we have not seen is a repeat of the OMB's annual suggestion of recent years that revenue forgone be effectively zeroed-out in favor of establishment of separate sub-classes for preferred-rate mailers.

The separate sub-class option, as that plan was generally known, now is proposed for Government mail instead.

I would like to briefly discuss the various OMB proposals that would affect nonprofit mailers, as well as the legislative language provided to you by the Postal Service. Before I start with the Postal Service language, however, I would observe that we in the Alliance believe that each of these present very significant and somewhat complicated problems that, in most cases, run counter to the Administration's avowed support for 1,000 points of light. There is no lack of respect or understanding of the tremendous responsibilities and the work-load of this and other Subcommittees and Committees of the House or the Senate intended when we say that changes of this scope and magnitude ideally belong outside the budget and appropriations process.

Toward that end, the Alliance and representatives of other mailers, some with strong views that diverge from those we bring to the table, are engaged in discussions that have been encouraged, not only by this Subcommittee and its Senate counterpart, but by Chairman Ford of the authorizing committee and the USPS itself. While we have made some progress, real differences persist and there is no consensus yet. The Alliance Board will review the situation at its meeting this week, however, and we do expect to continue the dialogue because we do share your concern for a fair resolution.

The language provided to you by Assistant Postmaster General William T. Johnstone on February 21 presents the Alliance with serious problems, even though the Postmaster General's report to you on February 1 did not seem to require such a draconian approach. Indeed, the Postal Service already has greatly increased its enforcement of the existing regulations that bar so-called cooperative mailings under a nonprofit's permit. And it has taken action to somewhat clarify those regulations, promising as well a new emphasis on mailer education.

But its draft language, certainly under any strict interpretation, goes beyond anything previously proposed. It would appear to bar from nonprofit rates any mailings that included reviews of books or of unbiased product comparisons, even those of voluntary health organizations on drugs or prepared foods for constituencies with specific health-related requirements. It would appear to bar even the mention of certain services by a membership organization, and would most certainly bar the mention of travel-related programs. That would heavily impact student exchanges, universities and specialized programs offered for senior citizens.

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The OMB proposal, submitted by letter to Speaker Foley and Vice President Quayle on March 7, also addresses the question of so-called commercial mailings. It would return to the formula first proposed by the Postal Rate Commission in 1986, but never given really serious consideration by the Congress, by using a standard that would require that half the labor in producing or assembling a product be expended by members or beneficiaries of the mailer. That's a standard postal acceptance clerks would have a hard time applying. It would rule out all travel and insurance programs and all other services, unless they are provided by members or beneficiaries of the mailer. No contracting out would be allowed in this OMB plan. No premiums with a value above that of a throw-away item would be permitted. And nonprofit publications with more than 10 percent advertising content in any issue would be barred from using nonprofit rates; not just on the advertising portion, but altogether. No matter if it is in-house advertising, even.

Two very substantial provisions in the OMB proposal would redefine the current understanding of what "educational" means to restrict that qualification to organizations administering "a course or courses of instruction through a teacher-student relationship in school," and forbid political advocacy, whatever that is. We incline toward the view that politics is the process of administering civilization and thus touches on virtually all subjects.

Among the losers of their nonprofit privileges under this proposal, if it means what it says, would be many libraries, most museums, symphony orchestras and other arts groups, as well as the journals and other publications of many organizations and societies which seek to expand our knowledge of our world and of ourselves. The Alliance adamantly opposes redefinition of "educational" in such a manner as OMB proposes.

We have just as adamant a position in opposition to the curtailment of nonprofit rates for mailings that seek to influence legislation. So much for voluntary efforts to help stem the problems of substance abuse.

OMB apparently would prefer to just say "NO" to those groups, including the Alliance members who have so affectively worked through the Coalition for Smoking or Health (American Cancer Society, American Lung Association, and American Heart Association) to change America's attitude toward smoking in public places, including domestic airline flights. OMB would do the same to a nonmember, Mothers Against Drunk Driving, which has effectively worked to change state laws on such matters as the minimum age for alcohol purchases and lower-blood alcohol levels for determining a driver's impairment.

OMB also seeks to restrict the now-permitted use of the fourth-class library rate by publishers shipping books and the like to qualified recipients, such as schools and libraries. It is a small amount, but would impact the acquisition budgets of the schools and libraries involved.

In summary, then, Mr. Chairman, the Alliance believes there are very serious problems with each of the proposals put forward to rebtrict use of nonprofit mail rates. These require most careful consideration. Meanwhile, even while we face the certainty of very substantial rate increases next February, we ask that this Subcommittee provide the funding needed to forestall an even earlier rate boost that would come in the event of an appropriations short fall. We ask your understanding and we ask approval of the Postal Service's revenue forgone estimate of $484,592,000. Thank you for the opportunity to appear today and make this request.

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ALLIANCE OF NONPROFIT MAILERS
April 2, 1990

ALSAC - St. Jude Children's Research Hospital
American Arts Alliance
American Association for Counseling and Development
American Association for the Advancement of Science
American Association of Individual Investors
American Association of Museums
American Association of Retired Persons
American Cancer Society
American College of Sports Medicine
American Council on Education
American Diabetes Association
American Heart Association
American Institute of Certified Public Accountants
American Library Association
American Lung Association
American Management Association
American Medical Association
American Planning Association
American Red Cross
Arthritis Foundation - National Office
Association of the U.S. Army
Boys Clubs of America
Boysville of Michigan, Inc.
Buckner Baptist Benevolences
Cancer Care, Inc.
CARE
Children International
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Cystic Fibrosis Foundation
Deafness Research Foundation
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Elks Magazine
Envelope Manufacturers Association Of America
First Assembly of God Church, Inc.
Foundation for Chiropractic Education and Research
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General Conference of Seventh-day Adventists

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Glenmary Home Missioners
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Hazelden Foundation
International and American Associations for Dental Research\
International Association of Fire Fighters
Jewish Braille Institute of America, Inc.
Jewish National Fund
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March of Dimes Birth Defects Foundation
National Association for Sickle Cell Disease, Inc.
National Association for the Advancement of Colored People
National Association for Uniformed Services
National Association of Public Television Stations
National Audubon Society
National Catholic Development Conference
National Easter Seal Society
National Farmers Union
National Multiple Sclerosis Society
National Parkinson Foundation
National Public Radio
National Rural Electric Cooperative Association
National School Boards Association
National Trust for Historic Preservation
National Wildlife Federation
Natural Resources Defense Council
Navigators
Navy League of the U.S.
New York Society of Certified Public Accountants
Optical Society of America
Paralyzed Veterans of America
People for the American Way
Plainedge Public Library
RP Foundation Fighting Blindness
Saint Meinrad Archabbey
Salvation Army
Sierra Magazine
Sisters of Providence - Corporate Office
Society of American Military Engineers
Society of Automotive Engineers
SPIE - International Society for Optical Engineering
World Relief Corp
World Wildlife Fund - The Conservation Foundation
YMCA of the USA
Young Men and Young Women's Hebrew Association - The 92nd Street Y

ALLIANCE OF NONPROFIT MAILERS
2001 S STREET, N.W., SUITE 540
WASHINGTON, D.C. 20009
202-462-5132

December 14, 1989

POSITION PAPER: COOPERATIVE MAILINGS

SUMMARY

The Alliance of Nonprofit Mailers represents approximately 100 organizations with members, volunteers, chapters and affiliates nationwide, all of which rely upon special third-class bulk (nonprofit) postal rates. The Alliance makes the following recommendations for clarification of the long-standing but widely misunderstood regulations that bar "cooperative" mailings with ineligible parties and for administration of the regulations (Section 623.5 of Domestic Mail Manual).

The recommendations are made in response to recent Postal Service rulings, field determinations and actions taken against individual mailers on mailings previously accepted at the specail rates, as well as Congressional concerns that the special rates not be abused.

GENERAL RECOMMENDATIONS

1. That the U.S. Postal Service agree to be generally forbearing in assessing back postage based on mailings that conformed to widely accepted practices long assented to.

2. That the U.S. Postal Service clarify existing regulations, on what may be mailed or, conversely, what may not be mailed, under special bulk third-class rates, after appropriate opportunity for notice and comment by interested parties.

3. That the U.S. Postal Service take action to ensure more uniformity in its decisions on contested mailings. A preferred option would be to vest the authority to render a "final agency decision" on an expedited basis in one office, rather that having "final" determinations decentralized at Regional Classification Centers.

4. That procedures be established to provide mailers with pre-mailing determinations on the acceptability of specific mail pieces at special rates, and that such determinations either be binding or, if they are to be only advisory in nature, that procedures be established to result in "safe harbor" definitions of practices upon which mailers could rely.

5. That steps be taken by the U.S. Postal Service and representatives of mailers to ensure the widest possible distribution of regulations, rulings, interpretations, etc. bearing on the acceptability of different types of mailing pieces at special bulk third-class rates; to include, but not be limited to, expanded explanations to be included on or with applications to mail at special bulk third-class rates and on or with statements of mailing.

6. That steps be taken to ensure that funds collected under deficiency statements for mailings mailed at special rates and later found subject to regular rates be properly accounted for, reconciled against future revenue forgone requirements, and that the accounting therefore be detailed in the Postal Services annual Comprehensive Statement to the Congress.

SPECIFIC RECOMMENDATIONS
What Should be Allowed

Qualified Products and Services

A nonprofit organization, in its own mailing, should be able to advertise for the sale of services or merchandise which it owns, has title to, or possesses the marketing rights to. This should not bar the use of third-party fulfillment, which is frequently more efficient and economical, so long as a true principal/agent relationship exists.

This category includes three subsets of particular concern: Insurance, Travel Arrangements, and Financial Services.

Insurance, Travel and Financial Services

The Alliance recommends that the use of special bulk third-class rates be permitted where the insurance, travel arrangement or financial service, as well as the mailing, has been designed to serve its constituency by the mailing organization, or by another party acting as its agent.

For example: The nonprofit organization may be a professional or other type of society which, as part of its mission, has established a professional liability or other pertinent type of insurance program through a trust. It may contract with a third party to assist in the administration and underwriting of its program, undertaken to provide coverage not otherwise available to all or a significant portion of its members, or to ensure its availability at an affordable price. This should be an eligible type of program.

If, however, an insurance firm or broker approaches a nonprofit organization with its own insurance product, proposing to pay a royalty or fee to the organization based on sales to its members, mailings should be required to carry full regular rate postage.

The same principle should apply to travel arrangements and other such services.

Additionally, regulations should not bar from eligibility for special bulk third-class rates mail matter that simply makes reference to benefits offered by, for example, a membership organization, so long as the references to otherwise nonqualified benefit programs are essentially nonspecific and informational and do not constitute an offer to sell. Thus, a qualified organization could tell its members or prospective members, for example, that cruises, discounts for travel, group insurance coverage, or other benefits are available and solicit their interest in such programs generally without crossing the line that would require payment of regular rates of postage. It could not, however, advertise the rates or prices and make a direct offer for such services that failed to meet the qualifications.

"Compensating Reference" to Contributors and Sponsors

Some recent Postal Service determinations denying reduced rates for mailings in which charities give recognition to their contributors, whether of cash or in-kind products or services, threaten serious harm to community-based fundraising and corporate philanthropy. The Alliance believes that the intent of the U.S. Postal Service and the Government as a whole is, rather, to encourage cooperation by corporations as well as individuals in voluntary charitable undertakings.

In determining whether something being mailed is the mail of the qualified nonprofit, the Postal Service should look at whether the charity or other qualified user derives the primary benefit from the mailing. The question should not be whether the "nonqualified" party derives any benefit, but whether the qualified mailer is paid to undertake a mailing it would not otherwise make in its own interest. It follows, in our view, that recognition by name, logotype or trademark of "sponsors," "endorsers," "contributors" or "cooperators," is essentially irrelevant and should not be deemed to be in violation of postal regulations in the absence of other impediments.

We strongly recommend that the regulations be clarified so that such recognition not be barred from mailings at nonprofit rates. The clarification also should be specific enough to permit, for example, a charity to accept the in-kind contribution of an advertising agency's, designer's or printer's services.

Acknowledgement also is essential in the case of most government agencies who contribute funds or services for nonprofit programs. Not infrequently, funding from such agencies must, by law, be acknowledged.

Advertising in Special Bulk Third-Class Publications

Postal regulations do not now prohibit qualified nonprofit organizations from including space advertising in their mailings at the nonprofit rates, nor should they so long as the proceeds inure to the nonprofit organization.

Ancillary Services and Enclosures

Qualified nonprofit mailers should not be barred from advising members or others, such as prospective attendees at a conference, convention or legitimate seminar program of normal course-of-business arrangements (such as a discount arrangement with an airline or airlines, or at the destination hotel). Nor should they be barred from enclosing such convenience items as a return reservation to a destination hotel, addressed to the hotel (including regular format reservation forms provided by the hotel).

Also, mailers should be permitted to advise recipients of their mail of information available from other sources and of charges involved.

Return Addresses (623.6 DMM)

We recommend that DMM Section 623.6 be clarified in at least two respects.

1. That return address or the required identification requirement not be so restrictive as to forbid the use of more specific or detailed identification than the name and address of the qualified mailer alone. For example, we believe that the return address should be allowed to include the name of a regularly scheduled event, as in:

   Tenth Annual Health Conference
   State Health Association
   Omaha, NE 68100

2. That, in addition to well-recognized alternative designations or abbreviations such as "The March of Dimes" or "AFL-CIO" such equally recognizable alternatives as the call letters of licensed broadcasting stations, rather than their corporate names, be permitted as return addresses.

What Should be Disallowed

Nonqualified Products and Services

Mailings, no matter who prepared and paid for them, that offer products or services that are sold or rendered by an ineligible party not acting in a true principal/agent capacity for the nonprofit organization, though space advertising in a publication should remain unaffected.

Royalty or Commission Arrangements

Mailings intended to produce sales for products or services from which the nonprofit organization derives only royalty or commission income, but not barring the reverse situation. For example, regulations should proscribe an arrangement whereby a publisher arranges for a nonprofit organization to market a book in return for a commission on sales to members. But a nonprofit organization should be permitted to include a recommended publication in an offering to members or supporters even though it must pay a royalty to the copyright holder.

Nonqualified Seminars

Mailings advertising seminars conducted by commercial vendors not acting as agents of the qualified mailer or for such programs when the mailer is not at risk financially should attendance fail to meet expectations.

Nonqualified Public Agencies

Mailings in cooperation with a public agency not itself eligible for special rates, but not barring the recognition of a public agency's role as a contributor, sponsor or supporter of the nonprofit mailer's program.

o

ALLIANCE OF
NONPROFIT
MAILERS

President
Mark Silbergeld
Consumers Union of U.S., Inc.
Treasurer
Joel T. Thomas
National Wildlife Federation
Secretary
Joseph D. Romer
National Easter Seal Society
Executive Director
Dan Doherty

April 5, 1990

Honorable Edward R. Roybal
Chairman, Subcommittee on Treasury, Postal
Service and General Government
Committee on Appropriations
United States House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Board of Directors of the Alliance of Nonprofit Mailers asks by this letter to supplement the Alliance testimony on the Fiscal Year 1991 Treasury, Postal Service and General Government Appropriations bill.

In view of the Postmaster General's letter of March 30, 1990, which was not available when the statement of our executive director was prepared, the Alliance Board has voted to support the revised estimate of the U.S. Postal Service for revenue forgone payments of $515,788,000.

As the Postmaster General's letter and Mr. Doherty's statement of April 2 both indicate, this revision results from the Postal Service's request for new rates, now pending before the Postal Rate Commission. The increase of $31,296,000 over the previous request of $484,492,000 would result from implementation of the rates as requested in February 1991.

The effect of postal rates on the revenue forgone requirement is a matter to which the Alliance will pay very close attention during the rate-making proceeding. As the Postmaster General has written, a different increase could result. But, until that case is decided in early 1991, the revised request of $515,788,000 must be looked upon as the full funding level for revenue forgone.

As we understand the Postal Service's letter revising its request, the FY91 increase, if not dealt with now, will eventually have to be reconciled. That probably would occur three years from now, when final audited mail volumes for FY91 become available. The Board of the Alliance asks that the projected impact of the rate case be taken into consideration now, rather that be left in limbo. And we respectfully request, Mr. Chairman, that this letter be made a part of the record in connection with our testimony of April 2.

2001 S STREET N.W. SUITE 301 WASHINGTON D.C. 20009-1125 202-462-5132

Respectfully submitted for the Board.

Joseph D. Romer
Secretary

cc: Hon. Jamie L. Whitten
Hon. Silvio O. Conte
Hon. Joe Skeen
Hon. Steny H. Hoyer
Hon. Bill Alexander
Hon. Joseph D. Early
Hon. Olav Sabo
Hon. Bill Lowery
Hon. Frank R. Wolf
Hon. William D. Ford
Hon. Benjamin A. Gilman
Postmaster General Anthony M. Frank

Mr. **Roybal**. Thank you, Mr. Doherty. I have just one thing I want to be sure we understand. That is with regard to the draft language that you made reference to. Has that been submitted to the authorizing committee?

Mr. **Doherty**. All I have seen is a letter to you, Mr. Chairman. I don't know whether it has been.

I would assume that they did that, but I don't know. I saw a letter addressed to you and I am—I am sure they have it. Whether it has been formally submitted or not, I could not say.

Mr. **Roybal**. They are the ones who deal with it, not this committee.

Mr. **Doherty**. I agree with you. I think there are views here that run pretty deep.

There are complicated matters. With the workload of doing appropriations, no disrespect to this committee, the authorizing committees should do it for good reason.

Mr. **Roybal**. Of course we cannot appropriate anything that is not authorized. We are not supposed to appropriate anything that is not authorized.

Mr. **Doherty**. I think, Mr. Chairman, those run toward a degree of de-authorization, if you will.

Mr. **Roybal**. Sure. We had quite a problem last year with that matter in conference. I don't now what will happen this year. I very much favor what you are recommending.

Mr. **Doherty**. Thank you, Mr. Chairman.

Monday, April 2, 1990.

REMOTE SENSING TECHNOLOGY

WITNESSES

BARTELL C. JENSEN, VICE PRESIDENT FOR RESEARCH, UTAH STATE UNIVERSITY

ALLAN STEED, DIRECTOR, SYSTEMS DIVISION, UNIVERSITY'S SPACE DYNAMICS LABORATORY, UTAH STATE UNIVERSITY

Mr. **Roybal**. The next witness is Mr. Philip Riggin.

The next is James Gashel.

Mr. **Roybal**. Mr. Jensen, Utah State University.

Mr. **Jensen**. Thank you very much, Mr. Chairman.

Mr. Chairman, and Members of the committee, my name is Bartell Jensen. I am Vice President for Research, at Utah State University.

Today I am accompanied by Dr. Alan Steed, Director of the Systems Division of the University's Space Dynamics Laboratory.

We sincerely appreciate the opportunity of appearing before your subcommittee today to testify on behalf of a request for funding assistance to construct and equip the dedicated laboratory facility that will allow Utah State to continue and to expand its research in remote sensing technology.

I have submitted previously a prepared statement that sets forth our request and our reasons for seeking assistance from this subcommittee.

In the interest of time and to be somewhat brief, I would like to highlight a couple of points in that statement and then respond to questions if we may.

Mr. **Roybal**. What we would like to do, without objection, is to submit your entire statement, place that in the record, have it appear at this point and then have you summarize.

Mr. **Jensen**. That will be fine.

Utah State Laboratory has been involved in space research for more than 30 years. Over that period of time we have become one of the nation's leaders in the field of remote sensing.

In fact, I think you can argue that our position in remote sensing technology and development that technology has become preeminent.

The instruments that we have developed over that 30-year period have been used most recently by the Department of Defense for atmospheric measurements. These measurements are made in an effort to understand the chemistry and the physicians and general symposium of the atmosphere.

Advances, recent advances in this technology in detectors, focal plane arrays, signal processing, hardware, software and computers now somehow great promise to allow us to use our remote sensing capability to identify, to survey and to evaluate mineral deposits on earth.

The U.S. Geological Survey and others have begun using this type of technology in their efforts to locate strategic and critical minerals contemplated by the Strategic and Critical Minerals Stockpiling Act.

For example, I would refer you to the November 1989 report of the Department of Defense on operations under the Strategic and Minerals Stockpiling Act during the period of 1988.

On page 6, 7, 8, and 9, they refer to the use of remote sensing technology in the evaluation, location and discovery of mineral and other mysterious deposits by usual remote sensing. We refer to that report.

Now the Space Dynamics Laboratory, which I referred to earlier, has consistently over the 30 years of its history demonstrated that it can develop state-of-the art sensors at a fraction of the cost incurred by other aerospace organizations, including for-profit companies like the larger corporations. These instruments are not only highly sensitive but cost efficient. Our research has advanced to the point where we are simply in need of new facilities.

We have outgrown our current facilities. To continue our development, we need adequate room, clean room space, environmental test areas equipment, high bay assembly areas, special calibration, cryogenic equipment, and so forth. To continue our project in this research area, we need for expanded modernization facilities. The university will provide the land for such a building or such a laboratory.

I might indicate that the State of Utah, and I have a letter signed by the governor, will commit in concert with the university or a combination of university and state funds $1 million to continue the experimentation and the development work on these sensors

We respectfully request your support for our research efforts by providing funding in the amount of $14.9 million over two years to construct and equip a new laboratory to house our research in sensor development.

We thank you for your consideration and appreciate your patience and willingness to hear us this day.

Any questions?

[The information follows:]

TESTIMONY
BY
DR. BARTELL C. JENSEN
VICE PRESIDENT FOR RESEARCH
UTAH STATE UNIVERSITY
BEFORE THE
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.
APRIL 2, 1990

Mr. Chairman and members of the Subcommittee, my name is Bartell C. Jensen and I am Vice President for Research at Utah State University. I am accompanied by Dr. Allan Steed, Director of the Systems Division of the University's Space Dynamics Laboratory. On behalf of the University we appreciate the opportunity to appear before the Subcommittee today to testify in support of the request we made in our letter dated March 15, 1990, for funding assistance in the amount of $14,958,000 over two years for the construction of a dedicated laboratory facility that will allow Utah State to continue and expand research in remote sensing.

Utah State University is located in Logan, Utah, and was founded as a land grant college in 1888. The university currently has 11,000 students enrolled and 678 full-time faculty members. Approximately 30 years ago Utah State founded the Space Dynamics Laboratory to provide a home for our then-emerging involvement in space research.

Over its 30 year history the Space Dynamics Laboratory has become preeminent in the development and application of remote sensing technology. Historically, most of the remote sensing instruments we have developed have been used by the Department of Defense for atmospheric measurements. We are now in the initial stages of developing a new generation of instruments that are capable of locating and evaluating deposits of many of the strategic materials included on the National Defense Stockpile Specifications list. This emerging area of research was recently highlighted in the Department of Defense's November 1989 Strategic and Critical Materials Report to the Congress.

Advances in detectors, focal plane arrays, signal processing hardware, software and computers now make it possible to develop remote sensing systems with spectral and spatial resolution and sensitivities never before possible. This is especially true in the infrared spectral region where the Space Dynamics Laboratory's experience has accumulated.

Infrared (IR) remote sensing technology has proven to be an effective tool in examination of the upper atmosphere and near space environments. Developments in focal plane technology, which include complex spatial arrays, and signal processing, which allows the rapid and accurate handling of vast quantities of data, are creating a new generation of sensor systems with even more powerful capabilities. These capabilities have significant geological and geographical applications in the field of metal and materials discovery from surface, airborne or space based sensor systems. IR-detected moisture content, heat capacity and transfer rates, and surface emissivity, soil chemistry, type, and texture can be analyzed for mineral content using data from IR sensors. Vegetation stress, which indicates soil mineral content and meteorological effects, can also be detected. Geo-botanical analysis of sensor data of IR signatures of shrubs and trees, for example, indicates the presence of metals or chemicals beneath the surface, such as plants having arsenic poisoning.

By measuring, cataloging and comparing spectral signatures of known deposits of materials (such as slag piles, established mines, adjacent areas of known mineral deposits), new synergistic relationships between signature data in various spectral regions (e.g., IR, visible, microwave) will prove invaluable in locating new deposits of these same materials.

The use of remote sensing to survey the earth is not new, but current instruments have had limited application and are often very expensive. The Space Dynamics Laboratory has had extensive experience in the research and development of spaceborne and airborne remote sensing instruments that are extremely sensitive and cost efficient. University personnel have also had considerable experience in small and micro satellite research and development. The use of small space systems with proportionately smaller launch vehicles also promises decreased costs in the deployment of spaceborne systems.

The Space Dynamics Laboratory has consistently demonstrated that it can develop state-of-the-art sensors at a fraction of the cost incurred by other aerospace organizations and for-profit companies which may possess some instrument development capabilities.

As the lead university in the Rocky Mountain Space Grant Consortium, Utah State University and the Space Dynamics Laboratory have received special recognition by NASA under the U.S. Space Grant Act. The majority of the funding received under this Act is designated for student support. In addition, because of our academic setting, students are trained in the process of designing, developing and applying the remote sensing systems. The Space Dynamics Laboratory provides work and research opportunities for up to 100 graduate and undergraduate students. The experiences they obtain at the laboratory greatly supplement their formal academic education and enhances the national technology base.

Mr. Chairman, our continued success in this vital area of research is threatened by the lack of a dedicated facility. Because of the success of our research and the resulting growth of staff and projects, the Space Dynamics Laboratory has outgrown its present facilities. Current facilities are restricted by the lack of adequate clean room space, environmental test areas and equipment, high-bay assembly areas, component build-up areas and fixtures, cryogenic systems, and special calibration equipment. Existing facilities are located in widely scattered areas of the campus and need to be consolidated into one building for greater efficiency and security. A dedicated laboratory would greatly enhance the University's sensor development capability in furtherance of the purposes of the Strategic and Critical Materials Stockpiling Act.

Mr. Chairman and members of the Subcommittee, we respectfully request your support for our research efforts by providing funding in the amount of $14,958,000 for the construction and equipment of a new dedicated laboratory to house our sensor research.

We thank you for your consideration of our proposal.

Mr. **Roybal**. What is the full amount of construction?

Mr. **Jensen**. $14.9.

Mr. **Roybal**. You are requesting the full amount.

Mr. **Jensen**. The full amount. That includes the construction, architect's fee and equipment.

Mr. **Roybal**. I wish you would have said you would put in 50 percent of it and then request the other 50% later.

Mr. **Jensen**. We have talked about this and wondered whether or not there are other possibilities.

We are pursuing additional avenues of funding.

One of the reasons we requested the full amount, Mr. Chairman, is that over the years we have done a great deal of work for the Department of Defense.

We are anxious now to diversity and to, our holdings, our customer base, if you will, please, and to expand into areas other than military applications. It is for that reason we chose to ask for the entire amount.

Mr. **Roybal**. All right, sir.

The committee will take it under advisement.

Mr. **Jensen**. Thank you very much.

Monday, April 2, 1990.

MANUFACTURING STUDIES

WITNESSES

HON. FRANK HORTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

RICHARD M. ROSE, PRESIDENT, ROCHESTER INSTITUTE OF TECHNOLOGY

Mr. **Horton**. Mr. Chairman, it is a pleasure for me to be here to address your subcommittee and introduce Dr. Richard Rose. As you recall, last year I appeared before the subcommittee to request funds to establish a center for studies at the Institute of Technology for integrating manufacturing studies. Your committee saw fit to provide funds.

Dr. Rose is here today. He is the President of the Rochester Institute of Technology. He has a long and distinguished career in the military and the academic field.

He has done an outstanding job as the President of the Rochester Institute of Technology. I would like to introduce him and have him present the request of the university with regard to the program.

This is my copy. I think you have got a copy. If not, why don't you keep that one. Keep that one. That is kind of a summary of the whole program. Dr. Richard Rose will explain some of that to you.

Mr. **Roybal**. Proceed, Dr. Rose.

Mr. **Rose**. Thank you, Mr. Chairman.

A more complete statement has been prepared and submitted to your staff. I will deliver a much abbreviated statement and stand for questions.

Mr. Chairman, I would like to begin by thanking you and your colleagues for your support last year of our proposal to establish a center for integrated manufacturing or the acronym that we use, CIMs.

The CIMs center when open and operating will focus on RIT's nationally recognized programs in microelectronics engineering, imaging sciences, and materials science and engineering, on the development of new manufacturing technologies.

These technologies are intended to reduce the number and complexity of manufactured parts, new quality control processes to reduce material waste, and power metallurgy, which is the development of new casting methods using composite and synthetic materials.

Much of this research will be conducted in association with industry and will be quickly transferred to the private sector and Federal Government.

Mr. Chairman, since last November, when the fiscal year 1990 Treasury, Postal Service and General Government Appropriations bill was signed into law, we have had a number of discussions with the GSA over how we will spend our $15,000,000 grant provided by your subcommittee. We expect the GSA to give us the go-ahead to being spending the federal funds shortly.

When approved we will go into final architectural drawings. I have included a copy of our grant application to GSA with my more complete testimony.

With respect to the funds we are requesting, the CIMs facility, the design and engineering, site preparation and construction should be activities set to begin this year using the federal grant, State of New York funding and RIT funds.

In fiscal year 1991, we expect to continue with construction and equipment purchase and installation activities, and intend to employ additional federal funds, state funds, and institution and private funds for these purposes.

Our present plans call for completion of final plans late this summer and to being construction this fall. We expect to complete the entire project by April 1992.

As we indicated in last year's testimony, the total cost of the CIMs facility will be approximately $33,650,000 of which $21,600,000 is being raised from the New York State Government, industry, the university and other private sources, and $12,000,000 is being requested as a contribution from the Federal Government.

Mr. Roybal. The one question that I have is the total cost of this facility going to be $33.6 million?

Mr. Rose. Yes, sir.

Mr. Roybal. The State of New York then will be——

Mr. Rose. They are going to be putting up approximately $10 million of that. Private industry will be putting up the remainder.

Mr. Roybal. Through that particular vehicle you would be raising $21.6 million?

Mr. Rose. Yes, sir.

Mr. Roybal. And then this committee has already appropriated 1.5 million?

Mr. Rose. Yes.

Mr. Roybal. So you need an additional 5 million?

Mr. Rose. No, we need an additional 10.5.

Mr. Roybal. Okay.

I just wanted to be sure.

Mr. Rose. In terms of——

Mr. Horton. They will work out whatever you can work out.

Mr. Rose. In terms of actually spending the funds, that is essentially correct, about $5 million this fiscal year, $5 million next fiscal year.

Mr. Roybal. I was thinking a little bit ahead. As you know, we are going to be—well, we don't know yet whether we are going to get our 302-B allocation or what we are going to get.

Since we don't know, we can't give you any hope about anything.

But one thing we can tell you. We are interested in what you are doing and we hope we can be of some help to you.

Mr. Rose. We appreciate your interest and your support thus far. We can assure you that we can have an immediate impact on manufacturing in the North Eastern United States. We expect to have our first project ready when the paint dries.

Mr. Roybal. That is pretty fast, isn't it.

Mr. Rose. Yes, sir.

Mr. Roybal. Thank you very much.

[The information follows:]

STATEMENT BY
DR. M. RICHARD ROSE
PRESIDENT
ROCHESTER INSTITUTE OF TECHNOLOGY
BEFORE THE
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
APRIL 2, 1990

Thank you, Mr. Chairman. It is a pleasure to appear before the Subcommittee.

Mr. Chairman, I would like to begin by thanking you and your colleagues for your support last year of my institution's proposal to establish a Center for Integrated Manufacturing Studies or CIMS.

The CIMS Center, when up and operating will focus RIT's nationally recognized programs in microelectronics engineering, imaging sciences, and materials science and engineering, on the development of new manufacturing technologies. These technologies are intended to reduce the number ano complexity of manufactured parts, new quality control processes to reduce material waste, and powder metallurgy, which is the development of new casting methods using composite and synthetic materials. Much of this research will be conducted in association with industry and will be quickly transferred to the private sector and Federal Government

Mr. Chairman, since last November, when the Fiscal Year 1990 Treasury, Postal Service and General Government Appropriations bill was signed into law, we have had a number of discussions with the GSA over how we will spend our $1,500,000 grant provided by your Subcommittee. We expect the GSA to give us the go-ahead to begin spending the federal funds shortly. I have included a copy of our grant application to GSA with my testimony.

With respect to the CIMS facility, design and engineering, site preparation, and construction activities are set to begin this year using the federal grant, State of New York funding and RIT funds. In Fiscal Year 1991, we expect to continue with construction and equipment purchase and installation activities, and intend to employ additional federal funds, state funds, and institution and private funds for these purposes.

As we indicated in last year's testimony, the total cost of the CIMS facility will be approximately $33,650,000 of which $21,600,000 is being raised from the New York State government, industry, the university, and other private sources, and $12,000,000 is being requested as a contribution from the Federal Government.

In Fiscal Year 1991, we anticipate that we will experience the bulk of our construction costs. We are, therefore, hopeful that your Subcommittee will be able to provide as much of the remaining $10,500,000 of our request as possible to help us complete development of the facility by 1992.

Thank you, Mr. Chairman, and I would be happy to answer any questions you might have.

MONDAY, APRIL 2, 1990.

POSTAL SERVICE

WITNESS

JAMES GASHEL, DIRECTOR, GOVERNMENT AFFAIRS, NATIONAL FEDERATION OF THE BLIND

Mr. ROYBAL. The committee will now hear from Mr. James Gashel.

Please proceed, sir.

Anyway you desire.

Mr. GASHEL. Thank you very much. I am James Gashel. I am Director of Governmental Affairs for the National Federation of the Blind.

I appreciate your making time available for us this morning. We have a terrific problem this year and a very grave concern with respect to the revenue foregone appropriations.

My whether or not statement is submitted. What I would really like to do is summarize the most important points.

Mr. ROYBAL. Without objection, your statement will appear in the record at this point.

Mr. GASHEL. Thanks a lot. I used in my written statement the term "crisis." I think we are facing a crisis in the revenue foregone area once again.

It has not been so much of a problem in the last two or three years, but the pending postal rate increase rises this problem for us.

The President's budget provides for $485 million. Now, that would be enough if we didn't have the postal rate increasing facing us.

So the effect of the 485 million, if that is what ends up being appropriated, would be that our postal rates would continue the same rate that they now are up until February, when we anticipate the rate increase in going into effect.

That will be February 1991. Only a few months into the fiscal year and we see a very sharp rate increase. Now, that rate increase is going to have a serious impact on the National Federation of the Blind.

I have said in my statement, and it could be a little bit more than this, depending on what is appropriated, that our postal rates will increase about 30 percent for most of the types of mailing we do.

For example, now this will continue to go free. This is the March edition of the "Braille Monitor."

It is on cassette tape, so it is mailed free to the blind. There won't be any problem under the appropriations that we would expect. But this magazine, which is the printed edition of the same magazine, we now pay 8.4 cents for, if this weighs and ounce.

We would be paying 12.5 cents, which is about probably a 40 percent increase.

We mail about 30,000 of these a month. That is really only a small part of our mailing, but I think it shows the dire conditions here.

The National Federation of the Blind is really a self-held and social movement of national scope. We are blind people and we have joined together voluntarily to address the common problems of blindness.

We have organized local chapters and state affiliates everywhere in the country. Millions of Americans are affected by blindness. To one degree or another the programs of the National Federation of the Blind touch the lives of each and every blind person in this country.

For those who become blind, and that is approximately 50,000 who become blind in the United States each year, the impact can be very severe. Many of these individuals face at least the temporary loss of their jobs, probably the ability to work in their chosen professions or calling may be gone.

For senior citizens who become blind, blindness can result in the loss of a home, the loss of personal independence, feelings of inferiority and fear are commonly experienced by almost every one who faces adjustment to blindness. The National Federation of the Blind serves those people with information and practical programs that can help.

It is our experience, Mr. Chairman, that blindness is more of a social rather than a fiscal problem for most people. Misconceptions about blindness to the loss of job opportunities and isolation which are often experienced by the blind.

The conditions cannot be ameliorated by medical research alone. They can be helped and addressed by programs that are aimed at raising the level of public understanding, public consciousness and social acceptance of the blind.

The parents of a young newborn child just born blind depend upon us for guidance and encouragement and straight talk about the future for their blind youngster.

The blind mother who is deprived of the custody of her children, and this happens in our country, depends upon us to explain the facts about blindness to the courts. Thousands of blind people raise their children and parent them very well every day.

But, we cannot communicate—if we cannot communicate about this fact to the court, if we can't carry on our educational programs, the mother may lose the custody of her child, and some have.

A mechanic in his mid-20's suddenly becomes blind. A job, a home, a future and a family all seem to be lost.

Then he turns to the National Federation of the Blind for help. We teach him how it is to be blind and what he can really do. That is when this mechanic's dreams of success can really be realized as a successful and functioning blind adult.

Thousands of personally compelling stories happen to us in the National Federation of the Blind each year. Communication by mail is the only practical means that we have to reach the public with positive and realistic messages about blindness.

It is the best means that we have to find people who need our services.

However, the projected increase in postage rates threaten our ability to continue the programs at the level that, or in many cases at all that we have been carrying on.

So, Mr. Chairman, without saying any more, that is our situation this year.

In addition to the $485 million which is in the budget, this has got to be the time to act on this problem Because before this subcommittee has a chance to consider revenue foregone again, these huge postal rate increases will go into effect. Additionally, $31 million is needed even to keep the rate increases at about 30 percent.

We hope that you can moderate that increase much more than that. If we face a 30 percent postage rate increase, many of our programs will stop and a lot of blind people are going to be hurt as a result.

So, we hope that you will feel sure that you and the Members of this subcommittee will be as sensitive to that as you possibly can and help us to moderate that postage rate increase.

I thank you very much.

[The information follows:]

STATEMENT OF THE NATIONAL FEDERATION OF THE BLIND BEFORE THE SUBCOMMITTEE ON TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT

COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.
APRIL 2, 1990

Mr. Chairman, I am James Gashel. I represent the National Federation of the Blind as its Director of Governmental Affairs. My address and phone number are 1800 Johnson Street, Baltimore, Maryland 21230; telephone (301) 659-9314. Thank you for giving me the opportunity to appear at this hearing on the appropriations bill you are considering for fiscal year 1991.

Again this year, Mr. Chairman, we have a serious concern about appropriations that must be made to the Postal Service fund for revenue forgone on free or reduced rate mail. The president's budget says that full funding for revenue forgone will require $485 million for fiscal year 1991. But the president's budget proposal will lead to a crisis in nonprofit postal rates unlike anything we have experienced in several years. I have used the term "crisis" advisedly.

The crisis is before us now because of the recently announced increases in U.S. postage anticipated for next year. As a result we may face a raise of 30 percent or more in our postage bill. We cannot afford to pay that increase. There are three main points to my testimony, Mr. Chairman. They are these: (1) the revenue forgone appropriation must be considered in light of increased postage rates; (2) the rate adjustment on nonprofit postage must be moderated by sufficient federal appropriations; and (3) the time to address these concerns is now.

The National Federation of the Blind is a self-help and social action movement of national scope. We are blind people who have joined together voluntarily to address the common problems of blindness. We have organized local chapters in most sizable population areas in the United States. There is a Federation state affiliate in each of the fifty states and the District of Columbia. All of our leaders and the vast majority of our members are blind. In one way or another the Federation's services and programs affect every blind person in this country.

Millions of Americans are affected to some degree by blindness and the impact which it has on people's lives throughout our society. For those who become blind (approximately fifty thousand people per year in the United States) the impact can be very severe. Many of these individuals face at least the temporary loss of their jobs and possibly the ability to work in their chosen trades or professions. For senior citizens, blindness can result in the loss of a home and personal independence. Feelings of inferiority and fear are commonly experienced by almost everyone who faces adjustment to blindness. The National Federation of the Blind serves these people with information and resources that can help.

It is our experience that blindness becomes more of a social than a physical problem for most people. Misconceptions about blindness lead to the loss of job opportunities and isolation that are often experienced by the blind. These conditions cannot be corrected by medical research or advancements. They can be addressed by educational programs aimed at raising the level of public knowledge and understanding of blindness. Programs of the National Federation of the Blind are therefore designed to provide accurate and timely information. The fact is that the real problem of blindness is not the loss of eyesight. The real problem is the lack of understanding and lack of information which exist.

The parents of a newborn blind child depend upon us for guidance, encouragement, and straight talk about the future for their youngster. A blind mother who is deprived of the custody of her children depends upon us to explain the facts about blindness to the courts. Thousands of blind people raise their children competently. But if we cannot communicate this fact through our educational programs, which cannot go on without access to the mail, the truth about blindness will not be known to the courts. A mechanic in his mid-twenties suddenly becomes blind. A job, a home, a family, and a future seem to be lost. Then he turns to the National Federation of the Blind. We teach him what the blind can really do. That's when his dreams of success and independence as a responsible, self-supporting adult can be realized once again. Thousands of personally compelling stories like these are brought before us each year. Turning dashed dreams into hope will not be possible if affordable postal rates are not maintained.

Communication by mail is the only practical means that we have to reach the public with a positive and realistic message about blindness. It is the best means we have to find blind people in need of our services. However, the projected increases in postage rates threaten our ability to continue these programs at a cost we can afford. Language to impose new eligibility restrictions on reduced rate mailings is also a source of serious concern to us.

The nature of our programs makes extensive use of the Postal Service unavoidable. The people who participate in and support the National Federation of the Blind do so on a purely voluntary basis. We must reach them and communicate with them where they live. There is simply no alternative for us but to rely upon the mail. If we cannot meet the costs of postage, our programs will stop. These circumstances mean that postal rate increases affect our very survival.

Last year's postage bill for the National Federation of the Blind was approximately one and a quarter million dollars. Under the existing rate schedules we are able to send most items through the mail at 8.4 cents per piece. As you determine the appropriations level for revenue forgone, the exact amount we will pay next year is in your hands, and the situation is becoming quite critical.

The appropriation of $485 million will maintain the status quo for our mailing costs for only a few months of fiscal year 1991. Before this subcommittee has an opportunity to consider the fiscal year 1992 appropriations measure, we will be faced with a postage rate increase of intolerable size. That will likely occur next February when the general rate increases for all postage are approved and implemented. Then we will face a dire emergency in postage costs. Mr. Chairman, we will not be able to sustain our programs and pay the higher postage costs projected under the new rate schedules. Our programs will suffer or stop because we do not have a source of revenue to fund this expected postage rate increase, especially if it comes all at once and in a single year.

An additional $31 million is needed for revenue forgone in order to fund the anticipated February, 1992, postage rate increase. If the additional amount is not included in this year's appropriations measure, the postage bill for the National Federation of the Blind will jump by about $400 thousand in calendar 1991 over the amount we expect to pay in 1990. Even if you appropriate $485 million plus the additional $31 million needed to fund the rate increase, our postage bill will be about $300 thousand higher in calendar year 1991 as compared to 1990 for the same level of service.

It is clear that there will be a postal rate increase. It is equally clear that the National Federation of the Blind will have to forego some of its activities and divert money to pay more of it to the Postal Service. There comes a point however where beneficial mailings to and on behalf of blind people cannot be continued solely because the postage is prohibitively expensive. Mr. Chairman, we are reaching that point in this country. We are reaching the point where voluntary social action and self-help groups such as ours will not be able to carry on their public education, outreach, and direct service programs. I urge you to consider this fact in determining the appropriations level for revenue forgone this year. Moderating the increase by approving additional appropriations is a solution you should consider. A higher appropriation to moderate next year's rate increase is really our only practical alternative.

The Postal Service has suggested tightening up on eligibility for mailings by nonprofit groups. The language which has been proposed to you was ostensibly intended to curb nonprofit mailings that may also benefit commercial interests. The National Federation of the Blind supports the elimination of actual abuses of reduced rate mail. In doing so, however, Congress must be careful to identify and separate out the abusers from the nonabusers.

For example, there is no doubt in my mind that the Postal Service would consider all of the mailings of the National Federation of the Blind to be legitimate uses of revenue forgone. This would certainly be true under existing law, but far less certain under the suggested language. None of our mailings are made for the purpose of promoting anyone's commercial endeavors. Even so, some of our mailings mention items (such as equipment or materials for the blind) which we obtain solely from for-profit suppliers. We distribute these items at no commercial markup to the Federation. However, the commercial firms which sell their products to us would not do so if they were not able to receive a fair return.

Cutting off our ability to distribute items and information for and on behalf of the blind is not in the public interest even if some commercial enterprise benefits at some point. However, we have a concern that the language as proposed could lead to the rejection of some of our legitimate mailings. We could not afford to make these mailings at the commercial rates. I hope you will consider some safeguards, and we will be pleased to work with you on the language.

Abuses of the revenue forgone mailing subsidy should be eliminated. At the same time, the policy of continuing to support socially beneficial programs should be strongly reaffirmed. In the case of the National Federation of the Blind, there is no question that our impact on American society is entirely positive both socially and economically. Out of the nearly one half billion dollars appropriated for revenue forgone annually, we use only a few hundred thousand dollars. For this amount we return services valued at several million dollars.

Mr. Chairman, the socially beneficial results of the revenue forgone appropriation clearly justify its continued use. Unlike commercial mailers, the National Federation of the Blind cannot pass the postage rate increase through to its consumers. Our only recourse is to request that Congress appropriate a sufficient amount of revenue to moderate the impact of anticipated rate increases. This must be done in the fiscal 1991 appropriations measure. We appreciate your support and the understanding you have consistently shown for this appropriation. Our need this year is as great as ever. I thank you.

Mr. Chairman, you will recall that I testified before you last year concerning our institution's establishment of the Center for Applied Metallurgical, Minerals, and Materials Research.

The center will focus our institution's nationally leading research programs in metallurgy and materials processing toward development of stronger, lighter weight, and more corrosion-resistant metals and metal composites.

The center will have close ties to a number of federal agencies and will have a technology transfer component which will ensure the speedy transfer of our materials and technologies to the private sector and to agencies of the Federal Government—including the General Services Administration to meet its federal materials research mission.

Mr. Chairman, I have included in my testimony the executive summary of the formal proposal which we provided to the subcommittee last year.

Mr. ROYBAL. We would like to include in the record your entire written testimony.

Mr. STEIN. Okay.

Mr. ROYBAL. And then proceed.

Mr. STEIN. Mr. Chairman, we appreciate the confidence your subcommittee showed in our capabilities last year when you provided us with a $5,000,000 grant for construction of the center.

I am pleased to report that we have been working closely with the General Services Administration on a plan for the use of the fiscal year 1990 monies and are very close to final agreement.

Mr. Chairman, the state of Michigan has contributed $32,000,000 toward the construction and the equipping of the center, the total cost of which is approximately $47,700,000.

Last year, we requested that the Federal Government contribute $11,800,000 toward completion of the center. In fiscal year 1991, we are hopeful that the Congress will provide the remaining $6,800,000 in the fiscal year year 1991 budget.

Over the past year, we have used state moneys to begin construction of Phase One of the center, which is now approximately three-quarters complete. During fiscal year 1990, we intend to use our initial $5,000,000 grant contribution for equipment purchase and installation in the Phase One facility complex.

During fiscal year 1991, we intend to use a combination of state and anticipated additional funds for the completion of the Phase One facility and to begin construction, renovation, and equipment purchase and installation of Phase Two, which will be part new structure and the incorporation of an existing laboratory facility.

It is our hope, Mr. Chairman, that Phase One will be completed in Spring of 1991 and Phase Two in Spring of 1992.

Mr. Chairman, all of us at Michigan Tech are grateful for the chance you have provided us to make our facility one of the finest metals, minerals and materials research centers in the world.

Thank you, Mr. Chairman. I would be happy to answer any questions you might have.

I might add we continue to graduate the largest number of mechanical and materials engineers, quite a large margin. Last year we graduated 305 mechanical engineers. The next largest group anywhere was 250.

Mr. **Roybal**. What you are asking for is $516 million?

Mr. **Gashel**. At least that to cover—that will only cover the rate increase. We are still going to face a 30 percent rate increase when that happens.

I want you to understand that.

Mr. **Roybal**. I don't understand what you are saying then.

The request has been for $485 million?

Mr. **Gashel**. That is correct.

Mr. **Roybal**. That is the request up to now?

Mr. **Gashel**. Now, if that happens and then the rate increase goes into effect, the postal rate increase that I have discussed will be in the neighborhood of 40 to 50 percent.

Now if you appropriate the additional $31 million which would theoretically cover the new cost of the rate increase, the postal rate increase for us will only be about 30 percent.

What I am saying is for a nonprofit organization, it is impossible to absorb that 30 percent rate increase in one year. We don't have a commercial buyer that we can pass that rate increase along to.

So if we could have an appropriation of $550 million, we could probably have that rate increase knocked down to 10 or 15 percent in 1991, and that is what we really need.

Mr. **Roybal**. $550 million is the amount that you believe will cover everything?

Mr. **Gashel**. Well, I think that would—we would still face a rate increase; you understand that. We are prepared to pay our share.

I think what we have really got to do is find out from the Postal Service what appropriations levels will actually cover us, so that the rate increase don't become more than, say, 10 or 15 percent.

Mr. **Roybal**. What we have to do then is find out or work with the Postal Service in establishing the figure for the revenue foregone?

Mr. **Gashel**. I think so, to be sure we don't have a rate increase of more than, say, 10 or 15 percent.

Mr. **Roybal**. That we will do. We will take your recommendation under advisement.

Monday, April 2, 1990.

RESEARCH

WITNESSES

HON. CARL D. PURSELL, A REPRESENTATIVE FROM THE STATE OF MICHIGAN

DALE STEIN, MICHIGAN TECHNOLOGICAL UNIVERSITY, CENTER FOR METALLURGICAL, MINERALS, AND MATERIALS RESEARCH

Mr. **Roybal**. The Honorable Carl D. Pursell?

Mr. **Stein**. I appreciate the opportunity to testify today on the program of Michigan Technological University Center for applied Metallurgical, Minerals and Materials Research.

Mr. ROYBAL. Thank you.

[The information follows:]

STATEMENT
BY
DR. DALE STEIN
BEFORE THE
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES
APRIL 2, 1990

Mr. Chairman, and Members of the Subcommittee, I appreciate the opportunity to testify today on the program of the Michigan Technological University Center for Applied Metallurgical, Minerals, and Materials Research.

Mr. Chairman, you will recall that I testified before you last year concerning our institution's establishment of the Center for Applied Metallurgical, Minerals, and Materials Research. The Center will focus our institution's nationally leading research programs in metallurgy and materials processing toward development of stronger, lighter weight, and more corrosion-resistant metals and metal composites. The Center will have close ties to a number of federal agencies and will have a technology transfer component which will ensure the speedy transfer of our materials and technologies to the private sector and to agencies of the Federal Government -- including the General Services Administration to meet its federal materials research mission.

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Over the past year, we have used State monies to begin construction of Phase One of the Center, which is now approximately three-quarters complete. During Fiscal Year 1990, we intend to use our initial $5,000,000 grant contribution for equipment purchase and installation in the Phase One facility complex.

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It is our hope, Mr. Chairman, that Phase One will be completed in the Spring of 1991 and Phase Two in the Spring of 1992.

Mr. Chairman, all of us at Michigan Tech are grateful for the chance you have provided us to make our facility one of the finest metals, minerals and materials research centers in the world.

Thank you, Mr. Chairman. I would be happy to answer any questions you might have.

Michigan Technological University

Center for Applied Metallurgical, Minerals, and Materials Research

Executive Summary

The United States, a creditor nation since World War I, has become the world's leading debtor. Its net indebtedness exceeded $400 billion in 1987. Though there are many reasons for the deficit, chief among them is a decline in the export of manufactured goods. For more than a century, the manufacturing industry held a position of world preeminence with products far ahead of the competition.

Today, that preeminence has evaporated. For instance, only one U.S.-owned company continues to make television sets, and most of its production takes place in Mexico. Mass production of the automobile was begun in the United States, but the Japanese and other Asian countries are now the leaders in the technology of automobile manufacturing. Of the twenty-six leading international manufacturing companies, only three are owned by the U.S.

At the heart of the problem is the inability of American industry to produce a high-quality product at a low price in sufficient quantity and adjust to changes in the market. In order to reverse this trend, America must have access to critical raw materials, it must gain the ability to move quickly from technological innovation in the laboratory to commercialization of the product, and it must enhance its employment base with educated and trained workers capable of keeping pace with technology.

The U.S. currently imports a large amount of its raw materials from potentially adversarial nations such as the Soviet Union and South Africa. These are materials critical not only to the industrial sector, but also to key defense capabilities. The importance of critical materials for the latter purpose has been addressed by the U.S. Congress with the establishment of the Strategic and Critical Materials Stockpile. The stockpile is intended to protect us from supply disruptions that could result from economic or foreign, political disturbances. The industrial sector, critical to our national security, must also prepare for potential disturbances and price embargoes. Materials development and innovation for increasing U.S. manufacturing competitiveness has to be addressed in partnership by industry, academia, and the federal government if we are to avoid falling prey to foreign control of critical raw materials.

America is still a world leader in the quality of its basic research and technological innovation. The problem is the movement of ideas from the laboratory workbench to the commercial market. The turnaround in technology transfer from innovation to product is so slow that by the time we have accomplished this task, other nations, most notably the Japanese, have taken our basic research results, produced a product, and captured the market. The synergism between the research laboratory and industry must be

America is still a world leader in the quality of its basic research and technological innovation.

invigorated if we are to successfully compete in the international arena.

Industry has begun to recognize the need for forming partnerships with academia and has done so with leading engineering institutions like Michigan Technological University—Michigan's foremost materials and minerals research center. Michigan Tech has developed an industry/university/state partnership that will expedite the transfer of research in materials and manufacturing processes from the laboratory to the factory floor.

In the enabling legislation of 1885 and reaffirmed in 1964, the Michigan constitution gave Michigan Technological University a unique mandate "to seek to promote the welfare of industry." Toward this end, MTU has developed an integrated research center for advanced materials and minerals development and processing—the Center for Applied Metallurgical, Minerals, and Materials Research. The Center will allow MTU to significantly expand its research facilities and to meet the continued need for complex research and development challenges in materials and minerals.

Michigan Technological University's Center for Applied Metallurgical, Minerals, and Materials Research will promote technological research and education through a unique interdisciplinary program. Combining the interrelated disciplines of the Departments of Metallurgical Engineering and Mining Engineering and the Institute of Materials Processing (IMP), the Center will offer industrial partners full-scale research services into all aspects of materials development from mineral extraction technologies to assisting in their commercialization activities.

Michigan Technological University has an established reputation with the industrial sector through its commitment to transferring needed technological development quickly for private sector growth. In 1981, MTU established the Ventures Group, a select group of private companies, to stimulate the economy and generate jobs through technology transfer from MTU to the private sector. It develops—by acquisition, merger, or capitalization—leading-edge businesses that hold promise for the future and provide an infrastructure of services to support them. The Ventures Group is an active example of MTU's institutional mission to develop the processes necessary to inspire U.S. industrial competitiveness.

The Center for Applied Metallurgical, Minerals, and Materials Research represents a special opportunity for the University to further develop the symbiosis between industry, government, and academia.

Michigan Technological University is therefore requesting an $11.8 million grant from the federal government to assist in the construction and equipping of the new Center for Applied Metallurgical, Minerals, and Materials Research, estimated to cost $47.7 million. The funds being requested from the federal government represent approximately one-fourth of the total Center budget. The state of Michigan has joined in partnership providing $27 million for construction of the Center and the University and its corporate partners will be providing $8.9 million for equipping the Center's research laboratories. In partnership, MTU believes it can regain America's competitive, industrial edge.

In partnership, MTU believes it can regain America's competitive, industrial edge.

America's Edge

Mr. **Roybal**. I really don't have any questions, Doctor. The total amount that we appropriated last year was $5 million?

Mr. **Stein**. Correct.

Mr. **Roybal**. Your request at that time was $11.8 million. Now you are requesting an additional $6.8 million?

Mr. **Stein**. Correct.

Mr. **Roybal**. We don't know what the situation is going to be this year with regard to our allocation, but we will take your recommendation under consideration.

Mr. **Stein**. Okay, thank you very much, Mr. Chairman.

Monday, April 2, 1990.

UNIVERSITY OF CALIFORNIA MAIL SERVICES

WITNESS

EDWARD R. MEYERS, MANAGER, UCLA MAIL SERVICES

Mr. **Meyers**. Good morning, Mr. Chairman, and the committee. I want to thank you for the opportunity to testify before the House Appropriations Subcommittee on Treasury, Postal Services and General Government, regarding nonprofit mail regulations.

While I am presenting testimony on behalf of UCLA, I also serve as Industry Chair, United States Postal Service International Mail Working Group, Vice Chair, Los Angeles Postal Customer Council, and President, Mail Systems Management Association, Southern California Chapter. The nonprofit mail issue has been discussed at length within the Mail Systems Management Association. Because of these relationships, I am personally committed to helping not only UCLA but the Postal Services, in increasing efficiency in whatever we can.

This year, UCLA will send out and receive approximately 63 million pieces of campus and United States mail, including university extension and student mail, making it one of the largest university mail operations in the nation. The university sends out approximately ten million pieces of nonprofit mail annually. If the third class nonprofit mailer permit was eliminated, and we had to pay regular third class rates, it would cost UCLA an additional $870,000 annually.

University of California takes pride in historically having provided technical assistance to the mail industry. In addition, during the past 18 months we have provided free technical assistance to many colleges and universities from across the country. University of California mail services boasts state of the art high speed mail bar code encoding and sorting systems as acknowledged recently by the Postmaster General. This will allow us to assist the United States Postal Services in achieving its goal of placing bar codes on 100 percent of all U.S. mail by 1995.

In order to preclude the possibility of departments abusing nonprofit mail regulations University of California established the following procedure:

All nonprofit mailings are centralized and reviewed by me, or the assistant manager in my absence. Discussions with a department in the early stages of a nonprofit bulk mailing, determine that the mailing is not cooperative before it goes to the printer.

Currently, the USPS is applying the same oversight and thoroughness in enforcing nonprofit regulations as in the case with all other classes of U.S. mail. If the USPS continues to exhibit thoroughness in approving nonprofit bulk rate mailings there should be no problem in attaining compliance.

Higher education uses nonprofit mail for fund raising since it is an efficient and economical way of communicating with alumni, donors, local communities, parents, and prospective donors. Alternatives to nonprofit mail are more costly and this makes the current climate of reduced state and federal funding available to public institutions, this is a significant fund raising tool.

In order for this nation to survive in a more competitive world, education at all levels must be improved. Every American has a stake in educating our young people. This is why it makes no sense to eliminate the nonprofit mail subsidy, even if gradually. It is one of the primary communication vehicles of higher education.

The nonprofit mail permit is widely used at University of California, particularly by our alumni and foundation groups, university extension, and the Center For Health Sciences outreach medical research programs to the community. University alumni associations have a critical role to play in supporting their school. They are instrumental in fund raising and supporting the growth of higher education in this country. Donations and fees paid by alumni members support such activities as minority student recruitment programs, student scholarships, menorship/career placement programs, student/teacher recognition awards, and general student outreach programs. Without the low cost of nonprofit mail, many of these programs may be adversely affected.

UCLA has a cooperative attitude in working with the USPS and a commitment to providing the best mail service at the lowest possible cost.

On behalf of the University of California, I want to assure you that proper oversight procedures will be maintained to make certain that nonprofit mail regulations are followed.

I would also like to give the committee a video on USPS mail services with a letter from the Postmaster General enclosed.

Mr. **Roybal**. Thank you very much.

There is one thing I would like to bring out. Last year the third class nonprofit mailing permit was a subject of a long discussion and debate with the Senate. I suppose it is going to be about the same this year. But the one thing I wanted to get from you is your recommendation with regard to the dollar amount that you think this committee should be recommending for revenue forgone.

Mr. **Meyer**. I think the university, or any large company should pay its fair share. I think rates approaching 50 percent have gone too far. I would think that if rates were held within a 30 percent range, that would be acceptable, since that is what rate is going to be foremost of the other classes of third class mail.

I think 50 percent increase is just too much.

Mr. **Roybal**. Do you agree then that this committee, if possible, should consider an increase of $485 million?

Mr. **Meyer**. Yes.

Mr. **Roybal**. The postal increase would not go into effect until when, February of next year?

Mr. **Meyer**. Our fiscal year begins in July, as most universities do. We will be impacted from February through June. The increase would be on regular first class mail would be about 8.3 percent.

That is going up approximately 20 percent. As far as nonprofit mail is concerned, you are probably talking about an increase in that fiscal year of about 23 or 40 percent.

But in the following year, then you are going to absorb the entire increase.

Mr. **Roybal**. All right, sir. We understand your problem, and we will take it under advisement.

Monday, April 2, 1990.

NONPROFIT MAILERS FEDERATION

WITNESS

ROBERT L. SILLS, PRESIDENT ELECT, AMERICAN LUNG ASSOCIATION OF LOS ANGELES COUNTY

Mr. **Sills**. Mr. Chairman, and members of the subcommittee, I have submitted a written testimony. I have asked that that be included in the record and I will be allowed to address some the issues therein in a more summary manner.

Mr. **Roybal**. Without objection, the written testimony will be submitted at this point.

Please proceed.

Mr. **Sills**. I am President Elect of the American Lung Association of Los Angeles County. I am testifying on behalf of my own organization and also on behalf of the Nonprofit Mailers Association, which is a national grass roots network made up of about 500 nonprofit organizations. Those organizations include not just charities, but educational and religious organizations within the community.

I am accompanied today by George E. Miller, who is the Legislative Counsel for the Nonprofit Mailers Federation.

I know you, Mr. Chairman, are well aware that the Los Angeles affiliate of the American Lung Association is a medium sized and locally based charitable organization and that we have a dual mission—public health and education in regard to the matters that affect lung health. We rely tremendously on fund rising and distribution of educational materials on the mail system.

I believe that we are representative of a great number of our groups that are similar to ours. There are thousands of them throughout the United States. You have heard testimony this morning concerning the revenue foregone and also the change in eligibility for nonprofits. Those are the areas I am going to address.

Last year in the September to December period, which is the largest mailing period certainly for American Lung and many other nonprofits, we actually cut our volume of nonprofit mail as a group, not just the American Lung, but I would say nonprofit mail, by about three percent. I would anticipate that we will see a cut in programs as a result of the cut in budget.

The increase that is proposed will be from 30 to 40 percent, as you have already heard. If that increase goes into effect, it will substantially affect my ability as President Elect to plan for next year's program.

You asked a question of the former witness as to whether or not that effect would be the full effect of the shift in between fiscal years and whether the increase goes into effect. I could answer that by saying it may only have a partial effect this year, but in the future it will have an effect throughout the entire fiscal year.

Our organization, the American Lung Association, can't fight a rate case. we don't have the wherewithal to mount a fight of the rate case, so we have to depend on this subcommittee and the Congress to help us in that regard.

At the present time the underwriting funding is $458 million. In order to keep us at parity, assume everything went into effect in the postal increase, we would need $561 million in order to just remain at parity so that the subsidy would be at the same proportionate level. We would still, as an organization, have to absorb an increase ourselves.

In that regard, we will be proposing to you that certainly there should be a phasing in of any increase. There is precedent for that, as I addressed to you in my written remarks, in the '84 case. By phasing it in, you will at least allow my local association and others similar to me, to be able to implement our program without cutting the program in order to pay for the postage.

Our mailing season, primary mailing season, is in just prior to November of '90-91 or whatever year it happens to come in. And if we could phase it in so that the major occurs after November of '91, then my budget, and the budget of similar organizations, cold then absorb it and hopefully, keep our programs at the same level.

We feel our program saves the taxpayers a lot of money and provides services that the citizens of our nation need. In that regard, I would like to talk briefly about the educational, travel and other eligibility issues that are being raised in both OMB and the Postal Services's proposals. Nobody condones violations. Nobody wants to see people under the guise of nonprofit using the system for profit making enterprises. That is not why there is a foregone. That is not why there is a special rate for nonprofits.

When I was preparing to testify before you, I was thinking about an anecdotal things that I might mention. In the written proposal I talk about a former program we had where we sponsored a trip so that people with lung disease, people that are limited in their travel ability, could travel. Under the new proposed relations, if you will, those people could not be told about our event at a reduced postage rate.

That wasn't a travel program where we are giving away travel, that was a program directly related to our mission and our goals. that was a program that was set up so that people who have the problems we are trying to help them with could travel and have the necessary medical support and so forth.

More particularly, I know a young lady who has cerebral palsy. She is coming to this city with the great influx of spring break students next week with a group of other students that are physically and mentally disabled. The only way they would have gotten the word about that program was through bulk nonprofit mailing. She will now be able to come to this city and participate in the spring ritual for students because of that.

If we change the foregone and the eligibility criteria, I believe that programs such as that will suffer. That is why I think that we have to be very careful about how we change those particular standards.

Our association doesn't run a school, but the American Lung Association is a primary provider of education in the areas of occupational health, air quality, anti-smoking, as was referred to by prior witnesses. In order for us to get that message out, it is necessary that we use bulk mailing. If the postage costs increase, if we are forced into a first class situation to disseminate that information, it only results in a cutting of the program and, therefore, not bringing that message to the people.

If you just take industrial safety, wearing masks to protect yourself, protect yourself in the work place, if we can get that information to the employees, it will more than pay for itself by increased on the job lack of absenteeism, if you will, and taxes resulting from the employees working, earning and paying their taxes. So we will pay back the government for their support.

I would like to summarize by saying we are asking for basically $3 and a half million. One, we are asking that the foregone be maintained and that we add to it $31 million to keep it at the equal level proportionately to where it has been.

If an increase is put effect that in some fashion would not be settled between 30 and 40 percent as it has been, and in that regard, that is certainly what every increase is put in, that it be phased in over a period of time, so that we can absorb it and still maintain our level of programs of work.

Lastly, that the proposed eligibility recommendations from both OMB and the Postal Services not be adopted.

Thank you.

Mr. ROYBAL. I agree with your recommendations, particularly with regard to revenue foregone. Your recommendation with regard to eligibility or any changes in the law should definitely be made to the authorizing committee. We have no jurisdiction over that. We hope that we will be able to have some jurisdiction over the funding levels, but we won't know that until we are allocated our annual allocation.

I can't really discuss anything definitively with you, because we don't know what our 302(b) allocation is going to be. We do know that at least two of the witnesses requested an increase in revenue foregone and that that is based on the fact that there will be an increase in postal rates sometime in February.

One of the suggestions that was made was that we work with the Postal Services in trying to come up with a figure, an amount that we can use. Even if we did that, if we still didn't get our 302(b) allocation, there is not too much that we can do.

The only thing I can tell you is we will do everything we can to work with the Postal Service and with the organizations that are interested in revenue foregone, to see if we can come up with a rea-

sonable alternative. That is one that will be different from the recommendation already made by the Administration. We will do everything we possibly can to work with you on that. We hope that when the time comes, we can both be satisfied.

Mr. Sills. On behalf of the American Lung Association of Los Angeles County, whatever help we can give you on this committee to achieve those objectives, we will so so.

Mr. Roybal. I have a soft spot in my heart for the Lung Association.

Mr. Sills. I am well aware of that.

Thank you very much.

Monday, April 2, 1990.

LOS ANGELES CHAMBER OF COMMERCE

WITNESS

RAY REMY, PRESIDENT, LOS ANGELES CHAMBER OF COMMERCE

Mr. Roybal. We will hear next from Mr. Ray Remy, from the Los Angeles Chamber of commerce.

Mr. Remy. I am President of the Los Angeles Area Chamber of Commerce. I am here today representing the Los Angeles Chamber of Commerce, the Los Angeles Customs Brokers and Forwards Association, Foreign Trade Association of Southern California, Port of Los Angeles, the Port of Long Beach, and the Los Angeles Department of Airports. I have the Executive Director of the Los Angeles Airport Department, Mr. Cliff Moore, the Los Angeles Director.

We appreciate the opportunity to provide you with an annual report on the status of U.S. Customs in the Los Angeles-Long Beach Customs District, and to bring to your attention current issues facing the Southern California trade community.

The Los Angeles/Long Beach maritime industry alone has an enormous impact on the regional job market—363,000 direct and indirect jobs are generated in the Los Angeles area in the manufacture of exported goods, production of material used in manufacture, distribution and sale of exported and imported goods; 313,00 jobs are generated when those employed in direct and indirect jobs use their wages to purchase consumer goods and personal services.

In addition to the Los Angeles/Long Beach maritime industry impacts the regional economy—$39 billion in direct and indirect business revenues are generated annually by the manufacture, transportation, distribution and sale of imports and experts which pass through the two ports $3.5 billion in U.S. Customs revenues are generated annually by the two ports and the airport. Ten billion dollars in business revenues are produced annually when those employed in direct and indirect jobs purchase consumer goods and personal services.

The annual economic impact of LAX is $28.6 billion. A major share of this impact is the jobs the airport creates. In total, LAX creates an estimated 373,304 jobs in the Southern California region, with payroll of $8.06 billion annually. These impacts include direct, which exist at the airport, indirect, such as hotels and other passenger service places, and induced, which are spread throughout the entire Los Angeles area.

Our Transportation Commission has just recommended increasing our light rail system to go out and have direct service to the Los Angeles International Airport. Five years ago I and Roy Anderson came before you asking for an increase in staffing in the Los Angeles U.S. Customers District, due to the large increase in maritime and air cargo trade into the Southern California region and a severe shortage of Customs staff to handle the increased workload.

Mr. Chairman, you listened to our story and your subcommittee responded by increasing the positions in the U.S. Customs Los Angeles/Long Beach seaport district form 63 inspectors authorized at that time to a current level of 142 inspectors. To service the increased demand for customs inspectors at LAX, staffing grew from 180 to 226 between 1983 and 1989. We are all aware that would not have happened without your personal involvement, Mr. Chairman.

These staffing increases have allowed U.S. Customs Los Angeles district to meet the current needs of the Southern California trade community, and in general, the trade community is satisfied with the operations of the Los Angeles district. The district has improved its efficiency in conjunction with the increased staffing, and improved automation. In addition, the new Commissioner's emphasis on commercial operations comes as very good news to the Southern California trade community.

Mr. Chairman, you can take great satisfaction in this marked improvement in Customs operations at the Los Angeles/Long Beach Customs district office, and let the record show that you and your subcommittee played a vital role in bringing about this improvement.

Let me say, Mr. Chairman, that there are still a few areas of concern that we would like to see some improvement, and I would like to take this opportunity to bring them to your attention:

First, we believe that the Customs user fee is basically inequitable because it taxes one segment of the trade community and there are those who believe it is illegal, as judged by GATT. Further, we believe that the fees that have been collected nationally, in excess of $600 million each year, should be administered by U.S. Customs, and allocated back to the districts to offset costs associated with the processing of cargo.

We understand that the Senate Finance Committee has recently considered legislation which would permit these funds to be more efficiently used for increased Customs staffing, and these changes may lead us to reassess our opposition to the user fee. There are some groups who feel quite strongly about the issue. Nevertheless, we believe that user fee creates an unfair trade situation for importers and should be discontinued.

Second, Mr. Chairman, while cargo is now moving fairly rapidly through U.S. Customs, the trade community is still concerned about the inequity in staff among the various Customs districts. Without trying to pick out one particular place in the country, we are aware there are three inspectors in the New York/New Jersey seaport district to every one inspector in the Los Angeles/Long Beach seaport district. This seems incredibly out of proportion considering the ports of Long beach and Los Angeles handled a total of 3.4 million TEUs for calendar year 1989 while the ports of New York/New Jersey, handled 1.2 TEUs for 1989.

We do not argue that we should have more inspectors as long as cargo moves adequately, but we do argue that this inequity be corrected and extra resources be put in the Los Angeles/Long Beach district to enhance and improve the examination process and efficiency at centralized examination stations. We believe that an annual system of review should be set up to provide pro rata increases of personnel directly related to future growth in the volume of commercial trade.

Third, the volume of Customs entries increased by 70 percent between 1984 and 1988, while the number of import specialists who handle these entries grew by only five percent during this same period. We recommend that the import specialist staffing be increased to meet the growth in international trade and that the role of the import specialist be expanded allowing the import specialist to make periodic visits to the premises of major importers to see first hand the nature of our products. Additionally, the import specialist should have access to trade publications and on line access to U.S. Customs headquarters classification and value decisions disseminated to the trade community.

Fourth, the phenomenal growth in cargo shipments and passengers at LAX between 1984 and 1989 shows no sign of slowing, and we see the need for additional permanent positions in order to make better use of the Delta terminal and satellite 2 terminal. Passengers arriving at LAX have gone from 2.3 million in 1984 to 4.1 million in 1989 and even with 30 part time U.S. Customs employees added during the summer months there is still the need for more permanent U.S. Customs positions at LAX.

Mr. Chairman, in conclusion, we would like to thank you again for the support you have shown over the years to the Southern California trade community and ask that you consider our requests to see that Congress directs the U.S. Customs Service to bring equity into its staffing level around the country according to the level of trade in each area. We would ask your assistance in increasing the number of specialists and expand the role of the specialist.

Finally, we ask you to support additional authority for the U.S. Customs Bureau to use the reserves from the user fee to enhance staff in districts with a greater need and to allocate the fees to the districts from which they are collected, if the user fee is not eliminated.

Mr. REMY. Thank you very much. I am prepared to answer any questions. I am sure Mr. Moore or Mr. Lee would be happy to respond.

Mr. ROYBAL. Mr. Remy, I would like to thank you and your colleagues for your appearance before the committee. You may not realize how important it is that you appear. I think it is one of the most important things that you will be doing this year. With all of the other important things that you are doing, and I know what some of them are, this is most important, because this has to do with the development of our ports on the West Coast.

I can see nothing but a very bright future for that development in years to come. If we don't start preparing for that now, it is just not going to be done. So, I agree with the recommendations that you have made.

You made mention of the fact that we would need additional assistance. I suppose you made reference to additional Customs inspectors. Is that correct?

Mr. **Remy**. Yes.

Mr. **Roybal**. Then your fifth recommendation was to use the user fees in the areas where it is collected.

Mr. **Remy**. That is correct.

Mr. **Roybal**. But your preference would be to eliminate it?

Mr. **Remy**. That is the generally held view. They feel it creates inequities. If, however, the fee is still there, it is a user fee, much the same as the gasoline tax is a user fee, it goes back to do transportation related things. If it is going to be a user fee, it should go back to the point of origin to do trade and Customs related activity.

Mr. **Roybal**. This committee cannot either eliminate it or redirect it, but we can be instrumental in at least expressing the opinion of the majority of people who are involved. We will take that into consideration.

I think you must know that the recommendations made by the Administration with regard to Customs is not very favorable. They, in fact, recommended that we reduce Customs by 314 positions. It is very difficult to understand why that recommendation was made in view of the fact that in that same message, they asked that we do more with less with regard to the interdiction of narcotics.

Customs is the front line agency in interdiction of narcotics. Still, that is being reduced, to say nothing of the fact that the Customs Service is responsible for revenues that are produced for the Federal Government. I think that the more we invest in it, the better we will be doing with regard to revenues that will be coming into the Treasury.

But it is, again, very difficult to understand why the recommendation was made. We have to deal with that, which means that just that alone, if we were to restore the 314 positions, that would put us over the President's budget recommendation. You know the President vetoed our bill a couple of years ago because we did just that.

So we are in a situation now where we don't know just exactly what to do. We will need some help from the business community throughout the country. I hope that we can get to these various organizations, particularly those on the West Coast, and also New York and those others, to start a ground swell of interest in Customs and the appropriations that are made do generate better business conditions throughout the country.

If that is done, maybe we will be able to survive this. But we do have that problem, Mr. Remy. I did want you to know about it. We will do everything we possibly can do, to fulfill the request that you made.

I would like to thank you again, and your colleagues, for being present. I greatly appreciate it.

Your testimony is on the record, and you can be sure that we will review it when the time comes.

Mr. **Remy**. Thank you, Mr. Chairman, for this opportunity, as well, as I have said before, for the years of support. The business community has always felt that Customs officials generate substantially more than the salaries we pay them from the Federal Treasury. It has always been confusing to us why the Federal Government does not want additional revenues in the Federal Treasury.

Mr. **Roybal**. Thank you very much.

The committee is now adjourned.

[The following statements were submitted by individuals or organizations who were unable to attend the hearing:]

NTEU
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Statement of Robert M. Tobias
National President
National Treasury Employees Union

before the
Treasury, Postal Service and General Government
Subcommittee
on

Internal Revenue Service Appropriations for FY 1991

Honorable Edward R. Roybal
Chairman

U.S. House of Representatives
Washington, DC

April 2, 1990

Mr. Chairman and Members of the Subcommittee:

I am Robert M. Tobias, National President of the National Treasury Employees Union. NTEU is the exclusive representative of over 144,000 Federal workers, including virtually all employees of the Internal Revenue Service. I am accompanied today by Patrick Smith, NTEU Director of Legislation, and Paul Suplizio, legislative consultant.

On behalf of the men and women who collect the revenue of the Federal government, I am pleased to present NTEU's recommendations on the Internal Revenue Service's budget for FY 1991. The President has recommended $6.1 billion and 118,759 average positions, an increase of $635 million and 3,667 positions over the current fiscal year (Table 1). We believe this is the minimum necessary to deal with the serious erosion of IRS' effectiveness caused by budgetary shortfalls of $360 million in FY 1989 and $465 million in FY 1990. Consequently, we support the President's budget request as the first step in a multi-year plan to modernize our system of tax administration by the turn of the century.

The current system is on the verge of collapse. Two years ago, 84 out of 100 taxpayers were able to reach IRS on the toll-free telephone system. Last year, the number fell to 67 out of 100. In the current filing season, GAO reports that only 33 out of 100 taxpayers are able to reach IRS. If IRS were a business, would it make sense to treat your customers this way?

IRS employees have responded to the budget crisis by leaving the Service in droves. The overall separation rate for permanent employees rose from 11.5 percent in 1987 to 15.3 percent last year. Four regions --Southeast, North Atlantic, Mid-Atlantic, and Western -- had even higher separation rates. The impact on Service Centers of low pay and poor working conditions caused by the budget cuts has been catastrophic. The Atlanta Service Center, which had a nine percent separation rate in 1984, suffered 31 percent attrition last year. Andover had the same rate, Fresno was even higher, and Philadelphia had the highest attrition of all -- 38 percent, compared to 9 percent in 1984. Memphis, Kansas City, Cincinnati, Austin and Brookhaven had separation rates of around 25 percent. All service centers together lost 27.6 percent of their permanent employees in a single year (Table 2). Think what it must be like to manage in these conditions, the millions of dollars in lost productivity, the precarious condition of our processing systems, the reams of taxpayer correspondence needed to correct errors made by inexperienced staff, and you have an idea of the dimensions of this crisis.

Congress and the American people depend on IRS to collect nearly a trillion dollars in taxes each year. But our philosophy of managing IRS is fundamentally flawed. We treat IRS like any other agency, squeezing its budget to hold down spending.

This produces absurd results. In FY 1989, a $360 million budget shortfall caused the loss of $2 billion. This year, a $465 million shortfall will cost $2.4 billion. These losses stem from the need for IRS to revise its operating programs when its budget is cut. Table 3 shows how program revisions in FY 1989-1990 lost $4.4 billion. The data are taken from IRS' budget justification.

We allow the backlog of accounts receivable to grow and examinations to fall. Some 10 million taxpayers owe $65 billion in delinquent accounts. These taxpayers are known to IRS, but sufficient resources to collect this money haven't been provided. Under the President's budget, this backlog will grow to $76 billion by 1991, so it will take several years to get this problem under control.

Many of our citizens aren't disclosing their true income and paying their fair share. This costs $114 billion annually, and undermines the voluntary compliance of others. It's IRS' job to identify these taxpayers and assess the correct tax through examinations. But the percentage of returns audited has been allowed to fall to 1 percent. It will take several years to bring audit coverage back to 1.5 percent, and many more to achieve our 2.5 percent objective. In the meantime, Congress should establish a floor under audit coverage to prevent its falling further.

IRS estimates that non-filers owe $7.3 billion on 1988 returns alone. IRS' computers generate about 7 million non-filer leads each year, but only 1.5 million are followed up. Under the President's budget, the backlog of the most serious non-filer cases will grow from 1.8 to 2.6 million. Again, several years are required to bring this inventory down.

The most serious threat to our voluntary compliance system is the "ripple effect" of people deciding to cheat because they think others are getting away with it. With audit coverage below one percent, more taxpayers are induced to play audit roulette. They see IRS unable to collect from scofflaws --taxpayers who fail to respond to five written notices and several phone calls, and have their account referred to a Revenue Officer for collection. There is $20 billion in these taxpayer delinquent accounts, but the backlog continues to grow and numbers nearly 4 million.

The number of underreporters and non-filers detected by IRS is also growing, but the percentage of leads followed up is falling. Due to the budget shortfall, IRS will issue 2 million fewer underreporter notices this year. Yesterday's tax gap studies are no guide to what's happening to compliance today. A better test is to sum up all the non-compliant populations – non-filers identified by document matching, taxpayers whose accounts are delinquent, and probable underreporters. This number is rising, and it points conclusively to falling compliance.

Current policies play havoc with IRS' budget. OMB is requiring IRS to absorb half the cost of the 1991 Federal pay raise. This $58 million absorption will lose $100 million in revenue in FY 1991 and $250 million over 5 years. Both CBO and the Administration agree on this estimate.

Both Congress and the Administration are responsible for this state of affairs. Our philosophy of managing IRS is unsound. We insist on fitting IRS into a budgetary straightjacket, instead of asking where we can get the greatest return for our money.

It's time to start managing IRS like a business. No business would allow its receivables to grow out of sight when it's running short of cash. No business would fail to invest one dollar where it knows the return will be $6. We must give IRS additional funds where the return from our investment justifies the cost.

If you ran IRS as a business, would you impose a hiring freeze on your cash-producing activities? Would you cut staff to service your customers? Would you spend millions to train new people when experienced workers are leaving?

This Subcommittee should establish a long-term goal of raising the nation's voluntary compliance rate to 90 percent from the present level of around 80 percent. Congress should require IRS to prepare a 5-year plan to show the resources and actions required to attain this goal in incremental steps. Within the context of this plan, IRS can resolve the five major challenges it faces in the current decade, namely to raise audit coverage to deal with the tax gap, raise the service level in taxpayer service, bring down the inventory of accounts receivable, modernize its computer systems, and especially, invest in its human resources to sustain the highly skilled workforce required to administer our tax system.

We must set business-like objectives for the next five years, increasing audit coverage to 1.4 percent, reducing the accounts receivable and non-filer inventories by 2 million, closing 4 million more underreporter cases, assisting 10 million more taxpayers, collecting an additional $28 billion through stronger enforcement, and introducing an effective employee retention plan. After five years, we should reassess where we are and continue working toward an overall objective of 90 percent voluntary compliance.

In its Five Year Resource Plan for FY 1988-1992, IRS spelled out how it would allocate 9,400 additional positions over five years to raise voluntary compliance. Resources would go to improve taxpayer service, provide taxpayers more tax account and returns processing information, increase tax fraud investigations, strengthen international tax administration, investigate overseas tax havens, match business information documents, and increase Examination and Collection by 8,600 average positions. This program would have increased audit coverage to 2 percent and generated additional revenue of $6.3 billion.

Preparation of this long-range blueprint was invaluable for understanding IRS' resource requirements. However, the plan has not been updated since 1988. We urge this Subcommittee to require IRS to submit a five year resource plan annually, in conjunction with the annual appropriations cycle.

Some question whether IRS can absorb significant resources in a single year. In its five-year resource plan, IRS indicated it could absorb 12,000 staff-years. In its FY 1989 budget submission to OMB, IRS requested 13,000 additional FTE, spread over all IRS functions. The request was disapproved on grounds it conflicted with the bipartisan summit agreement, not that IRS couldn't absorb an increase of this magnitude. The revenue initiative of FY 1983 was for 5,225 positions, which is larger than the revenue initiative in the current budget. In short, there is little evidence that IRS would have difficulty absorbing 5,000 or more positions in a single year.

Each year brings a new crop of tax returns. If we fail to collect fully on this year's returns, when next year's arrive the inventory climbs and there are underreporters who should be examined and non-filers who should be contacted who will never hear from IRS due to shortage of resources. The opportunity to collect on such returns is foregone forever.

A good example is uncollected accounts receivable. The statute of limitations runs six years from date of assessment, so IRS has six years' returns in active inventory. Yet we are losing $3 billion a year due to statute expiration, and who knows how much will be lost six years hence from our failure to collect on today's delinquent accounts?

Our current system of tax administration is overloaded and will eventually crack under the strain of a growing volume of returns. We must help IRS modernize and deliver services on a par with any modern financial institution. Today, the hard copy of a taxpayer's return must be retrieved for audit and adjustments. It takes 2-6 weeks to retrieve a return from the files. In the future a return should be accessible on a computer screen, making one-stop taxpayer service a reality. To achieve this goal will require long-range investments not only in computers, but in a professional workforce capable of administering a modern tax system. Approval of the President's budget request for FY 1991 is the right place to begin.

It is imperative that the full amount requested for FY 1991 be approved. IRS has informed Congress that it expects to start the new fiscal year $150 million short due to known cost increases that have not been budgeted for, namely;

-- ADP and information technology needs ($30 to $50 million);

-- space rental payments to GSA ($20 million);

- special salary rates for employees in hard-to-fill occupations and in entrance-level positions ($20 million);

- locality pay differentials for the Los Angeles, San Francisco and New York metropolitan areas ($40 million); and

- prospective postal rate increase ($20 to $25 million).

Clearly, IRS is on the way to another $200 million shortfall that could prolong the hiring freeze and accelerate the buildup of already-excessive inventories in such critical areas as taxpayer correspondence, errors and unpostables, delinquent accounts, and non-filer cases. If the strain the tax system is under is prolonged for a third year, we believe the damage would be irreparable.

The President's budget request is the minimum requirement for FY 1991, and should be approved.

Taxpayer Service

Taxpayer service via the toll-free telephone system has literally collapsed this filing season due to the budget shortfall. In FY 1988, IRS achieved an 84 percent service level, that is, 84 out of 100 taxpayers were able to reach an assistor by phone. Last year, the service level fell to 61 percent during the filing season. As of this March 17, IRS had answered 10.7 million of 31.5 million taxpayer calls – a 34 percent service level. In short, taxpayer service has crashed from 84 to 34 percent in just two years.

According to IRS, taxpayer demand on the toll-free telephone system is running 7 percent higher than anticipated. At the same time, IRS reduced the number of toll-free lines from 4,622 last year to 4,411 this year for budgetary reasons. The assistor staff was cut from 5,095 to 4,732. Assistor accuracy is 78 percent this year compared to 63 percent last year, but to maintain this level IRS deliberately chose not to assign inexperienced staff as assistors when demand surged. Consequently, service this filing season is at an all-time low.

With the 7,500 staff-years requested for FY 1991 (Table 4), IRS expects to assist 41 million taxpayers, compared to 44 million in FY 1989 and 46 million originally planned for FY 1990. With demand increasing 7 percent a year and service plunging to 34 percent, we believe IRS will have no choice but to reprogram resources within the FY 1991 budget request to augment Taxpayer Service. This is another reason why it is imperative to approve the full amount of the President's budget request.

Examination

Table 4 shows that Examination resources will increase from 28,000 staff-years in 1980 to 32,000 in 1991 if the President's budget is approved. This is an increase of 14 percent in resources compared to a 43 percent growth in returns. Table 9 shows that the number of Revenue Agents, who are the backbone of IRS compliance efforts, will have increased by only 3,000 staff-years during the entire decade.

Consequently, the number of returns examined and audit coverage have been falling steadily. Table 5 clearly shows this trend, from a high of 2.59 percent in 1976 to a low of .93 percent in 1989. Even if the increase of 1,043 FTE in the President's budget is approved, we will have six consecutive years with audit coverage below 1.2 percent.

IRS has provided fresh evidence of the state of voluntary compliance in its most recent study of the tax gap, which it projects to be $114 billion by 1992. We feel this understates the actual level of non-compliance. An assumption made by IRS was that voluntary reporting rates for various types of income remain constant instead of continuing to decline. This is unrealistic in view of the steady fall in audit coverage.

In its study of the underground economy in 1984, the Commerce Department's Bureau of Economic Analysis showed that unreported income was growing at 14 percent a year, significantly faster than the general economy. In IRS' current study, the tax gap grows at 7 percent a year, in line with the projected growth of GNP. We believe there is little evidence to support such a conclusion, hence the tax gap is being understated.

Moreover, the tax gap takes no account of significant non-compliance in payroll, excise, and international taxes. In 1988, there were $4 billion in delinquent payroll taxes, up 49 percent since 1982, and only .09 percent of employment tax returns were audited. An IRS survey of 2,000 foreign-owned companies found they were paying an average tax of about 1 percent on their U.S. operations. A substantial number of these companies are paying no U.S. tax at all.

Surveys of taxpayer attitudes support the notion that compliance will suffer if IRS is perceived to be weak. A 1984 survey found 37 percent of taxpayers will actively seek to beat the system, and 55 percent strongly support rationales for non-compliance.

To restore a high level of compliance, the President's budget should be viewed as the first step toward raising audit coverage to a minimum of 1.5 percent. To accomplish this will require adding 12,000 additional positions over five years, at a cost of $2.4 billion. Such an investment would result in additional collections of $11.1 billion -- a return of $4.70 for each dollar invested in the program. Restoring a high level of audit coverage will not be cheap, but we have no alternative to preserve our voluntary compliance system.

Among individuals, the most strategic income class for compliance efforts is the top 10 percent of taxpayers reporting income of $50,000 or more. Compliance studies show that nearly half of unreported individual income is accounted for by these taxpayers. The audit coverage of this group was 2.32 percent in 1988, and about half the total assessments from audits were from individuals with $50,000 or more in income.

Important new research has established that, in addition to direct revenue yield from increased audits of taxpayers in the $50,000 and over class, there is an "indirect" return of $3 for each dollar of direct revenue yield due to the "ripple" or general deterrent effect of audits. In work for the National Bureau of Economic Research published in August 1989, a team of investigators reported that when audit coverage of high-income taxpayers is increased one percent, there is a resulting increase in tax revenue that is "almost three times the direct revenue yield from audits of this group." The team concluded: "In the last ten years the audit rates of all nonbusiness income groups have fallen from 2.11 percent to 1.03 percent and the drop in audit rate of the high income group has been even larger. Such decline in audit rates appear to have significant indirect revenue costs."[1]

Another team from the California Institute of Technology examined the same question, asking what would have happened to total IRS collections if IRS had maintained the 1977 audit level. They estimated that total IRS collections would have increased $47 billion by 1985. Of this, $43 billion represented the general deterrent or "ripple" effect of higher audit rates, the remainder being direct audit revenue. This $43 billion is the amount reaped from the cumulative deterrent effect of all the additional audits performed over the nine-year period, 1977-1985. The team also estimated that a ten percent increase in the audit rate for individuals would have generated additional revenue of $85 billion in 1985.[2]

This research is important for three reasons:

(1) First, it establishes empirically that there is a relationship between audits and both direct and indirect tax revenue. Denying this fact (as an excuse to cut IRS ' budget) no longer makes sense.

(2) Second, IRS has revised its revenue forecasting model to account for the low productivity of new agents in the first two years. Consequently, net revenue does not accrue from additional staff until the third year of a revenue initiative. However, the ripple or general deterrent effect

occurs at once, and now that this effect can be measured, it should be factored in when evaluating the potential gain from a revenue initiative.

(3) Third, GAO has repeatedly advised Congress that IRS lacks the means of determining how to allocate its resources for greatest benefit. The new econometric formulas unlock the key to this problem by allowing direct and indirect effects of compliance actions to be measured in determining how to optimize resource use.

NTEU's own methodology for estimating the revenue return from additional resources for Examination is derived from IRS budget documents. Implicit in every budget submission is an estimated incremental revenue yield for each enforcement function. NTEU derives this yield as shown in Table 6.

Whatever methodology is used, it is clear that audits are so low that large revenues will flow to the Treasury from the direct and indirect yield of additional audits. We should start the job of raising audit coverage by approving the budget request for Examination.

Appeals

In the President's budget request, the approximate number of staff-years in Appeals will increase from 4,874 in FY 1990 to 4,955 in FY 1991 (Table 4). The number of Appeals Officers will rise from 1,346 to 1,403 (Table 9). Between FY 1981 and FY 1991, the number of Appeals Officers increased 68 percent, compared to a workunit increase of 87 percent, from 40,000 to 75,000 cases. The Appeals inventory of 75,000 cases will hold $36 billion in disputed taxes and penalties in FY 1991, compared to $16 billion in FY 1985.

Since FY 1987, new case receipts in Appeals has fallen, reflecting a decline in tax shelter work. This has been partially offset by the fact that more taxpayers continue to appeal their examinations. Twelve percent of returns examined were appealed in 1988, compared to 5 percent in 1979.

The additional resources in the budget for Examination and Collection will generate increased work in Appeals. In addition, IRS will seek to accelerate settlement of 58,000 tax shelter cases in Examination in FY 1991. Many of these will flow into Appeals, but the number will be partially offset by giving Examination settlement authority on selected cases before they go to appeal. Finally, IRS will seek to accelerate settlement of a significant part of the current Appeals inventory, concentrating on cases over $10 million. These management initiatives are estimated to result in additional revenue collection of $1.9 billion in FY 1991.

Collection

NTEU has long warned that taxpayer delinquent accounts were growing out of control, and our worst fears have now been realized. Accounts receivable stand at roughly $65 billion today, and will grow to an estimated $76 billion by 1991. The growth of the accounts receivable inventory represents a serious form of non-compliance. Like all forms of non-compliance, if allowed to get out of hand it threatens to spread among honest taxpayers and erode the underpinnings of our tax system.

Accounts receivable are a different form of non-compliance than the "tax gap". The tax gap reflects taxes legally owed but not voluntarily self-assessed by taxpayers. IRS does not know the identities of these non-compliant taxpayers. It requires examination and other enforcement contact to identify such taxpayers, establish the amount of their underreported income or overstated deductions, and assess the additional tax due. On the other hand, in the case of accounts receivable, IRS already knows the names, taxpayer identification numbers, and in most cases the whereabouts of the delinquent taxpayers.

We are talking about a taxpayer population of roughly 10 million persons who owe these accounts receivable. Examinations are the source of the balance due for 33 percent of accounts receivable dollars in the individual master file, and 20 percent of the accounts receivable dollars in the business master file, according to a Price Waterhouse study. Clearly, failure to pursue collection of these accounts would have an adverse impact on compliance.

Chart 7 shows the total accounts receivable dollar inventory (ARDI) and the growth of IRS Collection staff. (The chart uses a ratio scale, so that percentage changes can be compared). One can see at a glance that ARDI has grown from $15 to $76 billion or 500 percent since FY 1979. Collection staff will have grown around 100 percent between 1979 and 1991 -- and this assumes approval of the President's budget request for 1,356 additional positions in FY 1991.

By any measure you choose, accounts receivable are growing out of control. It is sometimes said that rising Federal receipts naturally entail a rise in accounts receivable. But that does not explain why the accounts receivable dollar inventory has doubled as a percentage of total receipts -- from 3.73 percent in 1979 to 7.67 percent in 1988. Moreover, the most serious cases -- the number of taxpayer delinquent accounts or TDA's -- are growing faster than the total number of returns in both the individual master file (IMF) and business master file (BMF).

The last time accounts receivable were under control was in FY 1983. At that time, Congress approved a 5,225 FTE revenue initiative for IRS, including 4,000 additional positions for Collection. Chart 7 shows both the rise in staff and the halt in growth of ARDI that resulted. At the time, total accounts receivable were just $24 billion, and TDA's were $7.5 billion. Sadly, the revenue initiative of 1983 was viewed as a short-term effort by the Administration, and Congress went along despite NTEU's dire warnings. The number of Collection staff appropriated fell from more than 18,000 in FY 1983 to 16,000 by FY 1986 -- and that is precisely when accounts receivable soared. By failing to make a long-term commitment, we paid a severe price.

NTEU supports the President's budget for Collection for FY 1991. Not only does the President recommend 1,356 additional positions but it appears that this commitment will continue through FY 1993. The budget contains the following statement at page 284:

> "To slow the growth in tax debt, the budget therefore includes funding for the first phase of a 3-year tax collection initiative, the overall objective of which is to increase collections by $2.25 billion over the 1991-93 time period. The first phase will generate $759 million in revenues over this interval from 1,050 additional collection personnel to be hired in 1991. Treasury and IRS will develop plans during 1991 to achieve the balance of the 3-year objective through a combination of management improvements, reprogramming, and resource growth."

While this statement is notable for its three-year commitment, the goal of collecting $2.25 billion over three years is inadequate to bring down the backlog of accounts receivable. For this reason NTEU has prepared for Congress' consideration an alternative plan for FY 1991-1993 (Chart 8). The goals of this plan are to slow the growth of taxpayer delinquent accounts (TDA's) in FY 1991, to halt the growth by FY 1992, and to start reducing the TDA inventory in FY 1993.

NTEU's plan would start by allowing IRS to advance hire for the 1,356 additional positions provided for FY 1991. It is of the utmost urgency that the hiring freeze be ended and IRS be authorized to actively recruit this summer from the new crop of college graduates. With advance hiring authority, IRS can get the new Revenue Officers up to full productivity sooner, collecting $400 million instead of the $150 million planned for FY 1991.

We urge this Subcommittee to take the initiative in granting IRS advance hiring authority for Revenue Officers in FY 1990.

As shown in Chart 8, NTEU's plan would raise the number of positions in Collection to 23,611 in FY 1992 and 25,411 in FY 1993 -- an increase of 1,800 positions each year and a total of 5,000 positions over FY 1991-1993. We would leave these 5,000 positions in place for the long run, and not redeploy them unless the compliance picture warrants. By the end of 1993, TDA's would be reduced to 3.8 million and an additional $2.7 billion would be collected during FY 1991-1993, compared to $2.25 billion in the President's plan. Over the five year period FY 1991-1995, total additional collections would amount to $6.1 billion under NTEU's proposal. Essentially, 1,000 additional positions assigned to working TDA inventory would return an estimated $360 million annually, or incremental yield of $7 for each dollar expended. The average yield in Collection today is $44 for each dollar expended.

The journey to collect a delinquent account starts with notice process in IRS service centers. Taxpayers will receive up to five letter notices from IRS asking that they resolve the deficiency. If that fails, accounts below a minimum threshold amount are deferred, and the remainder are issued as TDA's for collection through the Automated Collection System, a telephone network of collectors. If ACS efforts do not not succeed, the TDA is issued to an IRS district office for face-to-face contact with the taxpayer by a Revenue Officer. This is known as the Collection Field Function (CFF).

New TDA's issued each year are not at an unmanageable level. The number has fluctuated around three million since FY 1982, and the Price Waterhouse study found that incoming cases accounted for only 13.4 percent of the dollar growth of accounts receivable between 1984 and 1987. What is unmanageable is the number of cases that are backlogged in the accounts receivable inventory and remain there unresolved because of too few staff to process them. This applies to two high-dollar categories of accounts, TDA's and those classified "currently not collectible" (CNC). According to Price Waterhouse, growth in the TDA inventory accounts for approximately 28 percent of the increase in accounts receivable dollars. The largest single cause of growth – 37.2 percent of accounts receivable dollars – is due to "currently not collectible" cases. It is the growing number of TDA and CNC cases backlogged in inventory from the insufficiency of resources in recent years, and not the growth of new delinquencies, that accounts for the largest part of the growth we are witnessing in accounts receivable dollars.

To collect more money from accounts receivable, the largest and most lucrative areas to apply additional resources are the TDA's being worked by Revenue Officers in the field, the "TDA queue", and the CNC inventory. When notice and automated collection system (ACS) efforts are unsuccessful, a taxpayer delinquent account is sent to the appropriate district office for personal contact with the taxpayer by an IRS Revenue Officer. As there are more TDA's than Revenue Officers to work them, IRS has instituted the Workload and Resources Management System (WRMS) whereby cases are sent first to a "TDA queue" where they are scored and ranked by potential yield. Each district has its own queue, from which district office managers draw the highest priority cases to be worked. While the system is ostensibly capable of keeping Revenue Officer caseloads within reasonable bounds, management efforts to achieve numerical performance levels too often result in irrational production pressures that exact a high toll on morale and quality results.

Revenue Officer caseloads are frequently excessive, but this has not prevented the potential workload in queue from growing astronomically. The result is both a harried workforce and too many cases sitting longer in queue. The solution is to give first priority for additional resources to strengthening the Revenue Officer workforce to deal with the $20 billion backlog in TDA's in a quality manner. Next, the Automated Collection System staff and training should be augmented in an effort to resolve more TDA's at that level and reduce the flow into queue. Finally, the queue itself should be reduced.

According to IRS research, in December, 1986, the TDA queue held 12 percent of potential case work, representing 2 percent of the dollar amount of TDA's sent to the Collection Field Function (CFF). By December, 1988 the queue contained 33.8 percent of the cases, and 6.5 percent of the dollar liabilities. Adding delinquent returns cases, which are an important part of CFF work, the queue contained 49.7 percent of potential Revenue Officer case work. Certainly, the cases in queue are smaller. In December, 1988 the average TDA amount for a case in the queue was $5,000 compared to $36,500 for a case in CFF. But $5,000 is quite a large amount, far above the median of around $600 for all accounts receivable. No more than around ten percent of all accounts receivable are $5,000 or larger. Accordingly, after allocating sufficient resources to the primary task of working active TDA's, IRS should begin reducing the $2 billion TDA queue in order to bring accounts receivable under control.

CNC is a temporary status for many accounts, and the full amount should certainly not be written off. Taxpayers whose accounts are in CNC continue to pay several hundred million on their accounts each year. In one study, over 43 percent of individual returns reported to CNC in 1982 were estimated to be subsequently full-paid by July, 1986. For business CNC accounts, the estimate was 12.8 percent full-paid. Roughly 21 percent of hardship cases are reactivated due to changed circumstances, as well as 46 percent of the "unable to locate" cases. It is clear that with much of the CNC inventory, persistence and additional effort will pay off. Considering the $16 billion is this inventory, it would be imprudent to neglect it. Revenue Officers, if sufficiently augmented, can do the job. Congress should provide the necessary resources and resist any efforts to write off this sum in toto.

Today's varied tax laws require custom treatment of a taxpayer's account by a highly-skilled, professional workforce. Investment in human resources should start with adequate pay and recognition of the Revenue Officer occupation. For too long, the top grade in this field has been held at GS-12, despite increasing complexity of cases and enlarged responsibilities of the most skilled officers. Revenue Officers serve in grades 9, 11, and 12, and capping this career field at grade 12 is inadequate to attract and retain bright young people today. By moving promptly to authorize grade 13 as the capstone of the Revenue Officer career ladder, this Subcommittee can make this career field more attractive and bolster retention and morale.

Revenue Officer 20-Year Retirement

Revenue Officers, charged with taking collection action against taxpayers when all else fails, have one of the most hazardous and stressful jobs in the Federal service. Many taxpayers personalize their failure to comply with the tax laws; they see the Revenue Officer as a threat to their way of life. Many persons subject to collection action are involved with drug dealing and other criminal activities. Some belong to organized tax protest movements, who make Revenue

Officers the butt of activities like threatening phone calls, vandalism, confrontation with weapons, and filing baseless liens against the officer's property. Revenue Officers have been attacked by dogs, hit by cars, threatened with shotguns and handguns, and murdered in line of duty. A Revenue Officer in Buffalo was shot and killed while making a field call; another in Cleveland suffered multiple gunshot wounds at the hands of a taxpayer during a meeting at an IRS office. Some officers have been placed under protective surveillance because contracts were let on their lives. Verbal abuse and threatening phone calls are commonplace, as officers and their families are regularly sworn at and branded as public enemies. Overall, the number of assault and threat incidents against IRS employees rose from approximately 400 in 1981 to 988 in 1985, a 147 percent increase. Revenue Officers are the subject of 77 percent of these incidents, more than half of which are physical assaults, despite the fact that they comprise only 8 percent of the IRS workforce. More than 77 percent of assaults, and 79 percent of threats with deadly weapons, are committed against Revenue Officers. Revenue Officers, who work the most complex and difficult cases, often have excessive caseloads that frequently average more than 100 at a time, and this pressure keeps individuals from taking proper steps to protect themselves.

The potential that confrontation with a taxpayer will erupt into violence adds a constant element of stress and danger to the Revenue Officer's job, and there is ample scientific evidence of the consequences--high blood pressure, stomach problems, sleeplessness, suicide, and eventual disability. Research commissioned by IRS confirms that everyday stress and danger ultimately exacts a physical and mental toll on older, longer-tenured, officers. Younger officers are better able to cope with the everyday stress, and are physically and emotionally more resilient. NTEU believes there is a strong public interest in maintaining a youthful and vigorous corps of Revenue Officers, and that the proper way to achieve this goal is to permit retirement after 20 years under the provisions of Title 5, U.S.C. 8336(c)(1). Legislation to accomplish this has been introduced in the House by Congressman Al Swift (H.R. 1083) and in the Senate by Senator Barbara Mikulski (S. 513), and we strongly urge the Subcommittee to endorse this important legislation. It is the single most important step this Subcommittee can take to achieve a strong and effective collection arm in the face of mounting challenges to our tax system.

A-76 Studies

The FY 1991 budget requires IRS to achieve savings of $5 million and 587 staff-years through contracting out work to the private sector. Anticipated A-76 savings are based upon an "agency study goal" which sets the number of FTE to be reviewed for contracting out. Based upon OMB's expectations that a percentage of the positions studied will be successfully contracted, resource savings are computed and deducted from the agency's budget. The process is based on two significant assumptions, the first being that the projects studied are practical and the second that the savings anticipated by OMB are realized. Concerning the first assumption, there is a question whether much of IRS's work can be contracted out due to the necessity of safeguarding confidential taxpayer information.

Concerning the second assumption, GAO found (T-GGD-88-7) that Federal agencies, have achieved less than one-third of OMB's goals for numbers of positions in activities studied in fiscal years 1984 through 1986. GAO reported that agencies have continuing problems implementing the process, such as precisely defining the requirements for needed services and accurately estimating potential costs. When all pertinent functions are not included in the work statement, both an inaccurate estimate of savings and a costly contract modification can result. For example, in 9 of 11 Navy contract functions reviewed in 1984, projected savings were not realized due to higher than estimated contract administration costs and modifications increasing the scope of work. A-76 studies are often biased because the savings reported are simply savings from not paying the costs of the benefits mandated for Federal workers. GAO found that in many cases Federal workers whose jobs were contracted out wound up working for the winning contractor without retirement, health insurance, or other benefits. GAO also pointed to the negative impact of A-76 studies on the morale and productivity of the Federal workforce.

We believe that OMB's practice of reducing an agency's budget before A-76 studies have been shown to be feasible and cost-effective is contrary to public policy and should be halted by this Subcommittee's disallowing the use of appropriated funds for OMB to administer the program in this manner.

Investing in the Future

NTEU has deliberated at length about the requirements for attracting and retaining a competent workforce capable of performing the increasingly technical work of IRS' many occupations. We are convinced that most of the position classifications and pay grades for today's occupations are obsolete, having been outstripped by advancing technology. GAO's work has repeatedly demonstrated the uncompetitiveness of government pay at the entry-level grades established for critical IRS occupations. Government agencies will have to compete in an increasingly tighter marketplace for the skills they need. Consequently, we support legislation granting the Commissioner fully independent personnel authority, so IRS can compete in the marketplace for the calibre of people it needs by paying competitive salaries. We urge this Subcommittee to exercise leadership to begin the legislative process leading to independent personnel authority for IRS. We repeat our call for Congress to authorize retention pay for critical occupations so IRS employees can earn the same as private sector employees with comparable skills. We support direct hire authority in appropriate cases, as well as a full comparability pay increase for Federal workers.

Fundamental change is required to make the Service a more attractive place to work and pursue a career. This can be done by first, investing in training of the workforce; second, providing opportunities for professional development in specialties the Service needs; and third, establishing choice of career opportunities as a basic program for IRS workers. There are two ways IRS can obtain the skills it needs: by hiring new workers in the marketplace, and by training its on-board employees. NTEU believes many workers would be motivated to remain with the Service if they saw a career path filled with progressive opportunities for more advanced training at government expense. Completion of this training could be linked to an agreement to remain with IRS for a specific period.

To implement this concept, IRS would have to become a school of tax law and technical learning, sponsoring in-house training and civil schooling appropriate to the specialties the Service requires. It should also develop career patterns showing how a progression of training and assignments leads to professional development in a chosen specialty. The Service should then announce a worker retention program that promises to grant employees, within Service needs and provided a vacancy is available, (1) their choice of specialty or occupation, (2) their choice of training, and (3) their choice of assignment location, provided they remain with the Service for a specified period. IRS's size, its many locations, and its diverse activities and skills would make it possible for such a program to succeed. A choice of career opportunities would be a powerful retention incentive. We urge the Subcommittee to support this program and authorize a significant augmentation of the IRS training budget to develop the skills its future will depend on.

Finally, the revenue-producing agencies of the Federal government must be treated differently from other agencies in taking any deficit-reduction actions. The Appropriations Committee leadership should use its full authority to insist on an exemption for IRS from arbitrary budget ceilings. IRS' ceiling should be set based on the amount of revenue to be collected in accordance with the budget agreement. We must not have a repetition of budget summit agreement leading to a spending collapse in the arm of government charged with collecting revenue.

Mr. Chairman, this concludes my statement. Are there any questions?

Footnotes

1. Helen V. Tauchen, Ann Dryden Witte, and Kurt J. Beron, "Tax Compliance: An Investigation Using Individual TCMP Data," National Bureau of Economic Research Working Paper No. 3078, August 1989.

2. The Caltech research is summarized in, "Measuring the Indirect Benefits of Tax Enforcement Programs", State of California Franchise Tax Board, March, 1989.

Table 1

Internal Revenue Service Budget
FY 1980-1991

Actual Realized Amounts

Fiscal Year	Total Returns Filed (Millions)	Dollars (Thousands)	Staff-Years (FTE)[1]
1980	143.4	2,288,489	87,464
1983	171.2	3,043,012	83,603
1984	174.7	3,325,630	87,635
1985	178.2	3,574,597	92,259
1986	188.0	3,841,983	95,880
1987	193.2	4,335,105	102,189
1988	194.3	5,069,376	114,875
1989	199.6	5,194,880	113,058
1990 (Est.)	202.8	5,499,762	115,092
1991 (Request)	205.2	6,135,000	118,759

[1] One staff-year equals one full-time equivalent postion. FTE's include both permanent and temporary staff.

Table 2.
Separation Rates for IRS Permanent Employees, 1984, 1987, and 1989
(in percent)

	1984	1987	1989
Servicewide	11.3	11.5	15.3
Revenue Agents	7.4	12.0	
Revenue Officers	8.3	11.0	
Tax Auditors	9.3	14.0	
Regions			
Southeast	12.5	10.0	16.5
Midwest	10.4	9.0	13.1
Central	8.2	10.0	15.1
Southwest	14.0	11.0	12.4
North Atlantic	10.5	15.0	18.6
Mid-Atlnatic	14.6	12.0	20.4
Western	10.7	11.0	15.7
National Office	9.8	11.0	8.4
All Districts	12.3		
Service Centers			
Atlanta	9.0		30.7
Memphis	8.0		24.7
Kansas City	8.4		23.1
Cincinnati	5.4		24.5
Austin	12.2		26.0
Ogden	9.5		17.3
Andover	17.0		30.9
Brookhaven	7.9		24.8
Philadelphia	9.0		38.3
Fresno	7.1		34.2
All Service Centers	9.5		27.6

Table 3. Impact On Enforcement Revenue of Program Changes Due to Budget Shortfalls

(Dollars in Billions)

	FY 1989 Program			FY 1990 Program		
	As Proposed In 1989 Budget	As Revised Due To Budget Shortfall	Change	As Proposed In 1990 Budget	As Revised Due To Budget Shortfall	Change
Examination	21.2	20.5	-.7	21.7	20.1	-1.6
Collection	35.4	34.1	-1.3	35.876	36.078	+.202
Document Matching	4.1	4.1		4.259	3.211	-1.048
Total	60.7	58.7	-2.0	61.835	59.389	-2.446

Table 4. INTERNAL REVENUE SERVICE
Selected Functions
Resource Chronology Of Staff-Years (FTE)
FY 1980-1991

									Auth.	Budget Request
FUNCTION	FY 1980	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991
Returns Processing	28,744	20,533	21,743	23,111	22,782	23,672	25,253	24,371	25,583	25,718
Taxpayer Service	5,591	4,410	4,439	4,584	5,356	5,789	7,867	7,556	7,592	7,493
Examination	28,370	27,638	28,050	29,009	28,656	29,919	32,426	31,190	31,282	32,325
Appeals	1,884	2,967	2,942	3,090	3,016	3,386	4,132	3,985	4,874	4,955
Collection	11,705	18,149	19,194	16,857	16,082	16,486	19,277	19,251	20,455	21,811
TOTAL IRS	87,464	83,603	87,635	92,259	95,880	102,189	114,875	113,058	115,092	118,759

Table 5. Examination Resources and Audit Coverage

Fiscal Year	Staff-Years (FTE)	Returns Filed[1] (Millions)	Returns Examined (Millions)	Audit Coverage
1972	27,500	78.6	1.6	2.03
1973	27,500	79.6	1.7	2.08
1974	27,500	83.0	1.9	2.25
1975	29,500	86.3	2.1	2.42
1976	29,594	89.7	2.3	2.59
1977	29,025	88.0	2.1	2.44
1978	28,300	93.5	2.1	2.34
1979	27,747	93.0	2.1	2.24
1980	28,370	96.8	2.0	2.12
1981	27,402	99.3	1.8	1.84
1982	28,117	100.5	1.6	1.63
1983	27,638	102.0	1.6	1.56
1984	28,050	102.4	1.3	1.31
1985	29,009	103.3	1.4	1.34
1986	28,656	109.0	1.2	1.12
1987	31,399	109.5	1.2	1.10
1988	32,426	111.2	1.1	1.02
1989	31,190	115.5	1.07	.93
1990 (est.)	31,282	118.4	1.20	1.02
1991 (est.)	32,325	120.3	1.25	1.03

[1] Income, estate, gift, and partnership returns.

Table 6. Estimated Additional Tax Recommended From 1,000 Additional Positions for Examination

	FY 88 ACTUAL	FY 89 ACTUAL	FY 90 EST	FY 91 EST
(1) Total Examination Staff-Years (FTE)	34,097	33,484	31,282	32,325
(2) Number of Examinations	1,198,000	1,144,000	1,291,000	1,398,000
(3) Examinations Per Examination Staff-Year	35.135	34.166	41.270	43.248
(4) Additional Tax Recommended From Exams (Billions)	19.9	21.2	19.6	20.3
(5) Average Tax Recommended Per Exam	$16,611	$18,531	$15,182	$14,521
(6) Exams From 1,000 Additional Staff-Years	35,135	34,166	41,270	43,248
(7) Additional Tax Recommended From 1,000 Additional Staff-Years	$583,627,485	$633,130,146	$626,561,140	$628,004,208
(8) Approximate Annual Cost of 1,000 Additional Staff-Years	$60,000,000	$62,000,000	$65,000,000	$67,639,000
(9) Average Yield To Cost Ratio	9.7:1	10.2:1	9.6:1	9.3:1

Uncollected Dollars vs. Collection Staff

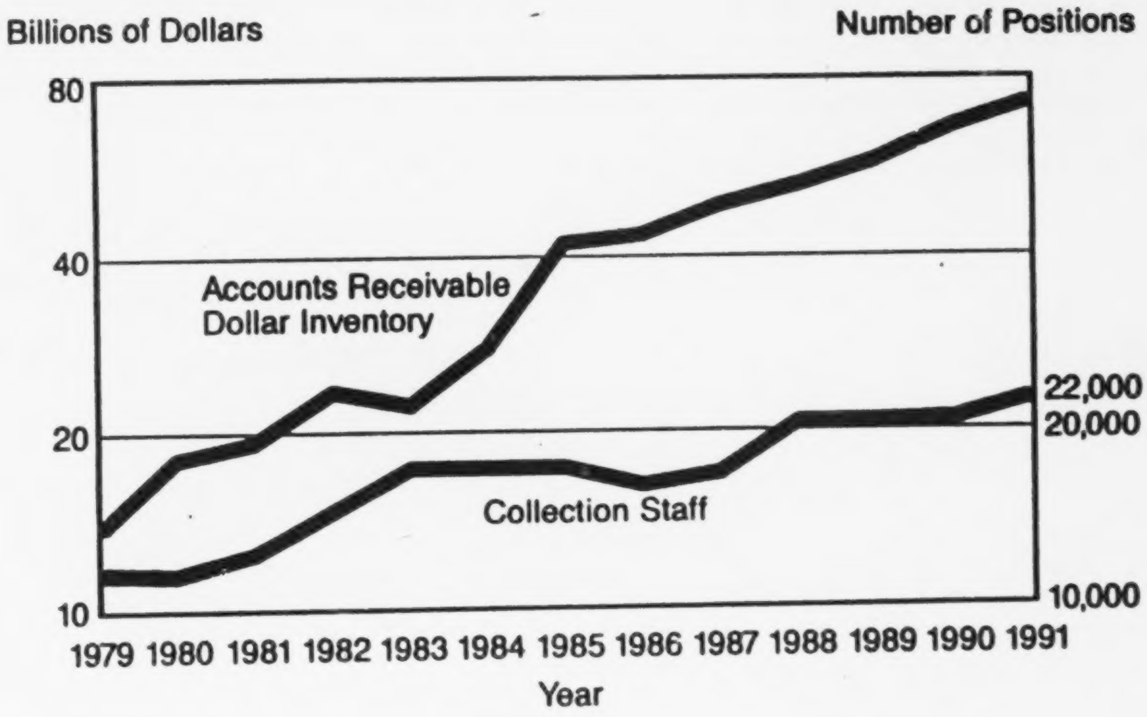

Chart 7

Collection

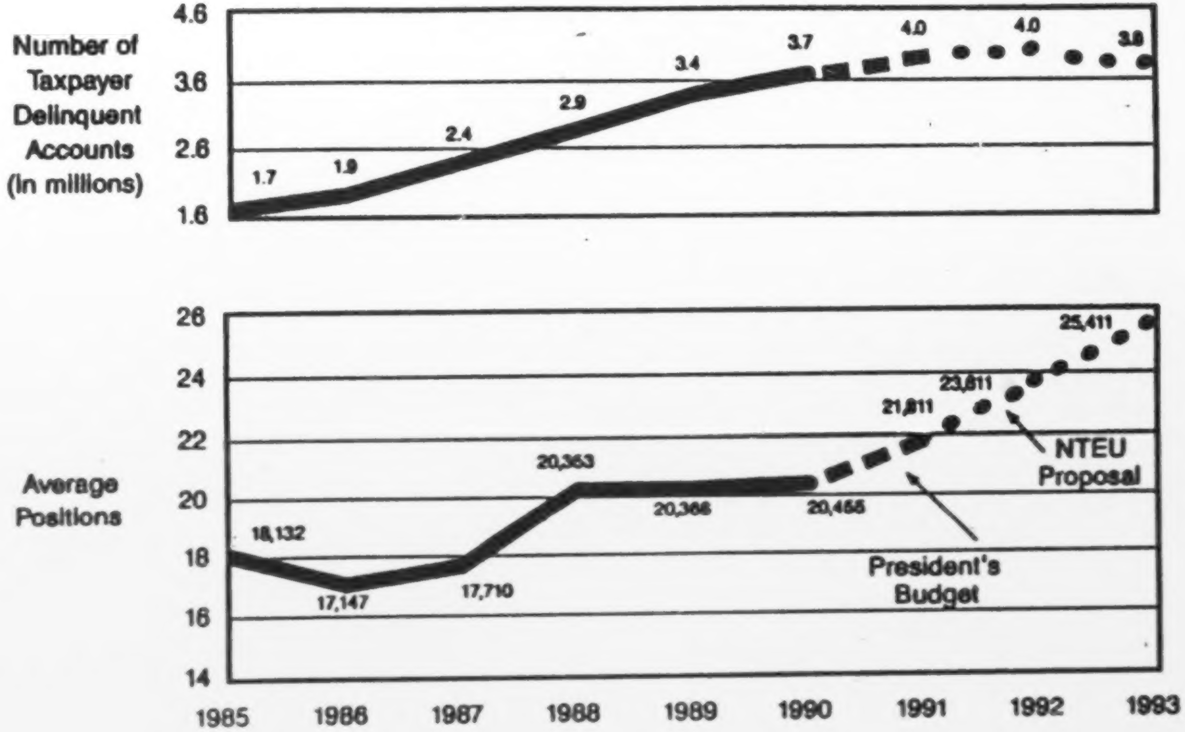

Chart P

Table 9.
Internal Revenue Service
Employment History
Selected Occupations
(FTE Positions)

Fiscal Year	Revenue Agents	Tax Auditors	Revenue Officers	Appeals Officers
1981 Actual	13,272	4,079	5,323	835
1982 Actual	13,554	3,885	6,028	821
1983 Actual	13,613	3,821	7,301	891
1984 Actual	13,442	3,474	7,531	1,031
1985 Actual	13,598	3,536	7,397	1,050
1986 Actual	13,658	3,317	7,265	1,052
1987 Actual	15,036	3,184	7,340	1,167
1988 Actual	16,720	3,310	8,340	1,291
1989 Actual	16,486	3,327	8,105	1,154
1990 Estimated	15,549	3,077	8,174	1,346
1991 Estimated	16,144	3,027	8,801	1,403

NATIONAL PUBLIC RADIO®

Statement of

DOUGLAS J. BENNET
PRESIDENT
NATIONAL PUBLIC RADIO

submitted to

Subcommittee on Treasury, Postal Service and General Government
Committee on Appropriations
U.S. House of Representatives

March 30, 1990

2025 M Street NW, Washington DC 20036, 202 822-2000

Mr. Chairman and members of the subcommittee, on behalf of National Public Radio (NPR) and over 380 member stations, I wish to testify in favor of fully funding revenue forgone at $484.59 million. While the mail is not the primary tool used by public radio stations to communicate with their members, it is an important one. Reasonable postal rates are a key component of every station's budget.

National Public Radio is proud of the record it has built in the past 20 years along with its member stations for outstanding programming and public service. Our member stations, all nonprofit entities, serve over 13 million listeners a week with award-winning national public affairs and cultural programming and locally-produced programs tailored to meet the needs of individual communities.

Public radio is indeed fulfilling an important role for listeners across the country. In a November, 1989 Gallup survey completed for the Times-Mirror Center for the People & the Press, NPR news, which is heard on a majority of public radio stations, was rated by a wide variety of journalists, government officials, academic leaders and business executives as "having the most positive influence on American journalism." Cultural programming heard on public radio stations brings major symphony orchestras to rural areas without an orchestra and brings music from many different cultures to communities across the country through such programs as AFROPOP, THE

THISTLE AND SHAMROCK and BLUESSTAGE. And recent changes in NPR's news division will provide enhanced coverage of Hispanic issues in the newmagazines ALL THINGS CONSIDERED, MORNING EDITION and WEEKEND EDITION.

Public radio stations rely on a mix of funds from federal, state and local governments and universities, foundations, corporations, and individuals to make this programming possible. Our listeners are now the largest single source of support. In 1988, nearly 1.2 million individuals contributed a total of $54.8 million to their local stations, about 24 percent of public radio income.

These same stations use the postal system to develop and maintain this listener support. Primarily, they use nonprofit rates to mail program guides, which contain program listings for the station that are unavailable elsewhere, along with information about the station, membership, and in some cases, feature articles about the community. In addition to providing members with this basic information, the program guide serves as a reminder of the station's importance to the listener and the community, and helps to reinforce the station's need for contributions from each and every listener at fundraising time.

Some of our stations with larger staffs, glossier program guides and the capability for more sophisticated record-keeping send their program guides at the second-class nonprofit rate. Many of our stations, however, produce a simpler guide similar to a newsletter. These stations, along with those who choose not to pay for the special handling provided second-class mail, use the nonprofit third-class rate.

In a more direct effort to attract and maintain members, stations use nonprofit third class mail for targeted direct mail campaigns, pledge follow-up, and renewal requests. In the case of WRVO-FM in Oswego, NY, response to direct mail brings in 25 percent of the station's revenues.

KUAT-AM/FM in Tucson, AZ is another fairly typical example. In FY 1989, KUAT sent 68,414 pieces of mail via the third-class nonprofit rates: 57,600 program guides and 10,814 donor solicitations, for a total cost of $6,328.

POSTAL SERVICE LANGUAGE

We recognize the committee's concern about "commercial" material in nonprofit third-class mail, especially travel offers, affinity credit card arrangements, and insurance programs -- cooperative ventures between nonprofit and for-profit entities or programs in which nonprofit organizations are raising funds in perceived competition with small business.

We believe, however, that the language provided by the postal service goes far beyond the purpose of curbing those direct offers. The language contained in the proposal would deny nonprofit third-class rates to mail which "advertises or promotes the sale of, recommends the purchase of, or announces the availability of any article, product, or merchandise produced in whole or in part by a person or organization not authorized to mail at the [nonprofit third-class] rates." That wording is so broad that it could be interpreted to bar reviews or recommendations of books or albums or unbiased comparisons of different products. As an example, attached is a copy from the program guide of WAMU-FM in Washington, D.C. which could be considered to "recommend the purchase of" certain albums, and could therefore render the program guide ineligible for nonprofit third-class rates. I think you will agree that the article is exactly the kind of service public radio station members should expect from their station.

Products Offered by the Nonprofit Mailer

If the committee does adopt language curbing product and service offers in nonprofit third-class mail, we believe that the test for whether a product or service could be offered should be who owns a product that is being offered for sale, rather than who has produced it, as suggested in the postal service language. If the organization owns, has title to, or possesses the marketing rights to a service or product it should be allowed to offer these services or products to its members through third-class nonprofit mail. The use of "produced in whole or in part" in the case of products and "provided in whole or in part" in the case of services could preclude offering items or services owned by the nonprofit and of particular interest or help to the nonprofit's membership, but have been partially or entirely produced by another entity or even a contractor for the nonprofit. We believe ownership is a clearer test.

Space Advertising

As I mentioned earlier, many of our stations' program guides either do not qualify for second-class rates or are sent third-class because the station does not wish to pay for the special handling received by second-class mail. Many of the program guides sent third-class contain space advertising, which is sold to help cover the cost of the publication. The language offered by the postal service would make these program guides ineligible for nonprofit third-class postage. For many, whose publication schedule or the necessary record-keeping makes second class an unrealistic or impossible option, the only alternative would be commercial third-class rates, which are roughly double the nonprofit rates. Referring back to our example station, KUAT's third-class postage would increase from $6,328 to around $11,000 per year if its program guide contained advertising and was forced to use commercial rates.

We believe that any language adopted by this committee prohibiting product or service offers in nonprofit third-class mail should not prohibit space advertising in nonprofit third-class publications as long as the proceeds inure to the nonprofit organization. Public radio stations and other nonprofits have followed this practice for years without penalty. A change now would force stations to drop advertising in their publications and fund program guides from operating expenses or switch to commercial postal rates and attempt to sell twice the advertising to break even.

OMB PROPOSAL

We also urge the committee to reject the Office of Management and Budget proposal which would substantially redefine qualifications for nonprofit mail and reduce revenue forgone by $112 million. The proposal would limit the "educational" qualification to organizations whose "primary purpose is to administer a course or courses of instruction through a teacher-student relationship in school." This definition of "educational" would preclude many public radio stations from using third-class nonprofit rates.

Thank you for the opportunity to provide testimony regarding revenue forgone and the proposals to modify elgibility for third-class nonprofit rates. I want to thank the committee for its past support and urge full funding of revenue forgone for FY 1991 at $484.59 million. Nonprofit postal rates help public radio stations carry out their mission of providing outstanding alternative and informative programming and public service to their local communities. Revenue forgone is indeed a program worthy of continued commitment of federal dollars.

All Things Considered Music of the News

Whether the topic is lizards, politics, or cars, part of Marika Partridge's job is to find music that complements news stories every day on *All Things Considered*.

Partridge is the director of the award-winning news program heard every evening on WAMU, weekdays at 6:30 p.m. and weekends at 6 p.m.

When looking for music recently to follow a report about a hospital, she remembered a song on a record that belonged to her parents and tracked down the music in time for the day's broadcast.

It was "Dem Bones" by the Delta Rhythm Boys on RCA. "That one worked particularly well," she says modestly. "It's a really wonderful piece."

Selecting the music "buttons" that air between news reports is a task the director doesn't take lightly. "I try not to let anybody second guess me, including myself," says Partridge. "I try to avoid what might seem the automatic choice or connection."

All Things Considered receives so many inquiries about Marika's distinctive music selections that the program has compiled its second annual "Top Twenty" list to help listeners "name that tune."

The latest "ATC Top Twenty" features groups such as the gypsy jazz quartet Cafe Noir, the Ray Bryant Trio, bluegrass great Bela Fleck, "neo-primitive bug music" by The Horseflies, and American banjo player Tony Ellis.

Under the pressure of the news program's daily deadlines, Partridge usually doesn't have much time to ponder the perfect music choice or hunt for unusual music from the Andes or the Ukraine that will punctuate, not compete, with the news.

On a typical day, she talks to tape editors to get the gist of a report, and then works quickly from some 150 precisely-timed music segments that she has ready-to-go in the studio.

Photo by Mark Hinojosa

Marika Partridge, director of All Things Considered

When news is breaking, she makes snap judgments, turning to the rotating rack of music segments behind her. "I reach back and spin the rack right to the section and length of time I need. Then I try to grab something that's not giddy—something straightforward. . . .

"It can be difficult with news because almost all news is sad, and you can't always use sad or reflective music. Sometimes I'll try to lighten it up."

Partridge relishes the opportunity to get authentic and unusual music on the air, particularly music from all over the world. She has a soft spot for the more obscure record labels, and opposes using generic "international" music.

"I would hate it if we aired a story on the Iran/Iraq war, for example, and then followed it with a Middle Eastern piece which was really Israeli music."

A piece of paper taped above Partridge's desk lists innumerable types of music and regions all over the world. She has undertaken the formidable task of finding music to represent each style

See Music, page 10

WHAT'S NEWS

Photo by Phil Jacobs

Jessica Berman

WAMU reporter and news editor **Jessica Berman** received two "Achievement in Radio" (A.I.R.) awards recently—"Best Spot News Coverage" for a report on the retirement of former D.C. council member Carol Schwartz, and "Best News Series" for an in-depth look at depression and its treatment. The A.I.R. awards is an annual broadcast competition celebrating excellence in Washington, D.C., radio.

Mike Cuthbert served as "Grand Marshall" of "Australia—A Bicentenary Celebration" last fall at the Old Post Office Pavilion. The WAMU talk show host also moderated a panel on "Work and Welfare" at the annual Employment and Training Policy Conference of the National Governors' Association.

WAMU recently acquired MEMSYS, a membership management software package. Membership director **Doug Miller** says MEMSYS will help eliminate duplicate mailings, allow payments to be processed more quickly, and greatly improve the station's ability to track member's program preferences.

Phil Brown of Walkersville, Maryland, was the happy winner of a Goya guitar at WAMU's 4th annual Pick 'N' Swap held at Mountain View Park in Hyattstown, Maryland. ■

Compiled by J.S. King

Music, from page 4

and each region listed, and hopes to find four moods—happy, sad, indifferent, funny—as well as short and long pieces within each category.

When recording music segments, she draws from her own extensive record collection, from the music library at National Public Radio, and from a variety of other sources, including family, friends, and small record companies around the country.

Partridge strives to retain the essence and natural length of the original music she records—a challenge since music buttons are only from two seconds to two minutes in length. "I refuse to wreck a piece just to force it into what I need," she says.

The *ATC* director's insatiable interest in music was fostered by a childhood spent traveling and living abroad—in the Philippines, Taiwan, Iceland, Europe, Africa, and India. Partridge, who plays piano and performs traditional Irish music, still has many unusual recordings her family made during its travels—such as a tape of Masai tribesmen singing at camp.

Visitors to the *All Things Considered* newsroom can immediately identify the director's work area by the black and red 78 rpm discs spinning on wires from the ceiling above her desk. The vintage acetate recordings contain such classics as songs by "Mad" magazine's Alfred E. Neuman, a rabbi singing on Menorah Records, and a Lucky Strike cigarette commercial.

Partridge joined NPR in 1985. After graduating from college, she worked as music director at KTOO in Juneau, Alaska. She then helped found the community-based station KCAW in Sitka, Alaska, spending five of her eight years with the station as program director. ■

COMING UP

Acoustic Music Showcase

Make a resolution to attend WAMU's monthly Acoustic Music Showcases on Tuesday, January 10, and Valentine's Day, February 14. These popular 88.5 FM events will be held at The Sign of the Whale (formerly Quincy's Restaurant) at 5444 Columbia Pike in Arlington, Virginia. A $5 cover charge supports the station's bluegrass and other traditional American music programming. For more details, call the restaurant at (703) 671-2774, or tune to WAMU 88.5 FM.

Feedback: Catch Up On Current Events

Kick off the New Year by tuning in to WAMU's national call-in program *Feedback: America Talks Back To Washington*. The last two broadcasts of this series will air on January 8 and February 12 from 9 to 11 p.m. Sanford Ungar, dean of The American University's School of Communication and former host of *All Things Considered*, hosts the current affairs show. You can participate in the lively debate by calling *Feedback* at 202-885-8850 or toll-free at 1-800-433-8850.

The Volunteer Link

WAMU thanks all volunteers who participated in the record-breaking fall fund-raiser! The next fund-raiser is scheduled for March 11-18. Don't miss all the fun. Plan to volunteer now. You can find out more about being an 88.5 FM volunteer by receiving a copy of "The Uplink," WAMU's volunteer newsletter which is published quarterly. Call volunteer coordinator Laurie Clevenger at 202-885-1030 to be put on the mailing list. If you volunteered for the fall fund-raiser and didn't receive a thank-you note, please send Laurie your address. We will make sure you receive a note and the next issue of "The Uplink" ■

Compiled by Monique Conrad

Top Twenty, from page 5

The Greene String Quartet "Molly on the Shore" (Hannibal, 1988)

What's so compelling about this string quartet is the material it chooses. From Charlie Mingus to The Doors, every selection exudes good taste.

The Bodeans "Outside Looking In" (Slash, 1987)

The melodies and harmonies of this Wisconsin group are reminiscent of the Everly Brothers, with a modern twist.

Roy Buchanon "Hot Wires" (Alligator, 1987)

Buchanon's innovative blues guitar ranges in sound from soulful to caustic.

Uakti "Uakti" (Polygram, 1987)

This quartet is heavily influenced by the folk music of its native Brazil.

"The Works of Carl Neilson" Performed by Vestjysk Kammerensemble Denmark (Deutsche-Grammophon, 1974)

Neilson was a Danish composer (1865-1931) whose Wind Quintet (opus 43) is the primary work on this album.

Casey Jones "Solid Blue" (Rooster Blues, 1987)

This hot collection of original R&B numbers by drummer Casey Jones is one of the most danceable records I've ever heard!

For information on how to obtain these recordings, send a stamped, self-addressed envelope to: All Things Considered Top Twenty, National Public Radio, 2025 M St., NW, Washington, D.C. 20036. ■

ATC Top Twenty

In compiling this list of favorite albums, I've kept several criteria in mind. I see this as an opportunity to recommend new music that you might not otherwise hear about. With one exception, they are recent releases. Some contain most requested music used during *All Things Considered*. But I didn't include records that had just a good moment or two. I was looking for consistency—records you can put on your turntable and enjoy from start to finish. Happy listening!

—*Marika Partridge*
Director, All Things Considered

Cafe Noir "Cafe Noir" (Gajo, 1988)

A lovely album of original material and traditional gypsy melodies, it's one of the year's best.

Sandy Bull "Jukebox School of Music" (ROM, 1988)

Sandy Bull has returned with this sensational instrumental album that combines and juxtaposes sounds ranging from country-western to Middle Eastern.

Max Lasser's Ark "Earthwalk" (CBS, 1987)

This album by Max Lasser, a Swiss guitarist, is one of the most tasteful of "new age" sounds to emerge.

Tony Ellis "Dixie Banner" (Flying Fish, 1987)

Members of the Red Clay Ramblers back banjo player Tony Ellis and the combination of talents is wonderful!

Night Ark "Picture" (RCA, 1986) and "Moments" (RCA, 1988)

Both these records are exquisite, with moving melodies, artfully arranged.

Charlie Haden "Quartet West" (Verve, 1987) and "Quartet West in Angel City" (Verve, 1988)

Charlie Haden's bass is magnificent and sax player Ernie Watts continually threatens to steal the show.

Ashwin Batish "Sitar Power" (Batish Records, 1986)

This award-winning album is a fusion of western rock and Indian raga.

Ellen McIlwaine "Looking For Trouble" (Stony Plain, 1987)

If you like gutsy, blues-based, and highly listenable rock 'n' roll, look no further.

All Ears Review (ROM Records)

You can subscribe to these eclectic compilations of music that come out on CD and cassette every six to eight weeks.

The Horseflies "Human Fly" (Rounder, 1987)

"Neoprimitive bug music" has redefined the limits of square and contra dance band music.

Toumani Diabate "Kaira" (Hannibal, 1987)

Diabate is considered to be the youngest and greatest kora player from Mali. The kora, a 21-string harp/lute, produces a hypnotic and beautiful sound.

The Ray Bryant Trio "Today" (Polygram, 1988)

Pianist Ray Bryant is joined here by drummer Freddie Waits and bassist Rufus Reid, resulting in jazz that borders on gospel.

James Van Buren "It's All Over" (Van Buren Records, 1986)

This Denver-based crooner and songwriter has been performing for over 25 years, but is just beginning to attract national attention.

Bela Fleck "Drive" (Rounder, 1988)

This is bluegrass at its best. All the tunes are Fleck originals, driven by his powerful banjo.

See Top Twenty, page 11

STATEMENT OF THE
HONORABLE LEON E. PANETTA
BEFORE THE
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS

REGARDING THE FEASIBILITY AND NEED FOR A FEDERAL BUILDING IN MONTEREY, CALIFORNIA

April 2, 1990

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to appear before you today to discuss the need for a Federal Building-Courthouse in the Monterey County area. This space is essential to the central coast of California because of a large and growing federal presence that requires space for vital federal judicial and law enforcement functions, and the need for the most cost-effective approach to meeting these needs.

The Monterey County area supports a large federally related population, with various military installations occupying nearly 20 percent of Monterey's total land. The Naval Postgraduate School, the Defense Language Institute, the 7th Light Infantry Division, the Fleet Numerical Oceanographic Center, the Naval Oceanographic and Atmospheric Research Laboratory's Atmospheric Directorate, and the Fort Hunter Liggett Military Installation, constitute a presence totaling 22,098 military personnel, 5,986 civilian personnel accounting for $914.2 million in direct economic impact to the area.

In addition, the area also houses offices for the Immigration and Naturalization Service, the Federal Bureau of Investigation, the Federal Drug Administration, and the Internal Revenue Service. These federal entities provide vital services to the area and will continue to be important in the future as there services grow.

The population of the California central coast is growing rapidly. The population of neighboring Salinas has increased nearly 25 percent since 1980 and Monterey is expected to grow by more than 30 percent by the end of the next decade. This enormous growth in the area has caused a drain on available federal space resources. The effort must be to develop a long-term plan to meet these increasing needs.

Because there is currently no federal courtroom space in the area, the U.S. Magistrate's Court, probation offices and holding cells must share facilities with the Staff Judge Advocate. The present court facilities are in a renovated World War II fire station which the GSA in its 11(B) report, cited as "inadequate and substandard with numerous safety and security problems." In addition, the location has also created controversy over the use of Defense Department land for the functions of a Federal Court.

The Bankruptcy Court, which until recently shared facilities with the Magistrate Court, was awarded a temporary lease in Salinas because suitable space was not available in Monterey. However, according to the 11(B) report, the space requirements of the Bankruptcy Court are 570 square feet more than are currently provided in Salinas.

In addition, important related court functions are scattered all over the Monterey area. The District Clerk Court, the U.S. Marshals Service, and the U.S. Attorneys do not reside at all in the area. The Probation Division of the U.S. Courts is currently in the Monterey Post Office. This type of geographic judicial and law enforcement hopscotch is inefficient and ineffective.

The GSA report further concludes that three other agencies anticipate a need for expansion during the next couple of years. The Federal Bureau of Investigation, the Internal Revenue Service, and the Federal Drug Administration. Also, the Drug Enforcement Administration, the National Oceanographic and Atmospheric Administration, and the Customs' office of enforcement are cited in the GSA report as potentially locating new offices in the Monterey area.

Unfortunately, the GSA, while citing all of the current deficiencies that the courts are now facing and future space needs for important federal agencies, has recommended a short-sighted solution. The recommendation to lease space in Monterey, where it will be difficult to find adequate facilities and extremely expensive, will not provide the kind of long-term answer that is needed for the area. This is an area that has very little space availability and is now facing an even larger drain on its limited resources with the future growth of the area. The GSA report recommends a permanent consolidated Court facility along with future federal agency space, but at the same time it chose to recommend a solution that will not solve these future needs. GSA determined that a 30 year present value cost to adequately house the courts would be roughly $7.4 million for 12,300 square feet. Using this criterion, GSA recommends a leasing arrangement. Yet, federal construction would cost approximately $11 million for a government owned Federal Building-Courthouse that would provide 38,300 square feet of space for the courts and future federal needs, an increase of 26,000 square feet that meets long-term requirements.

The Public Works and Transportation Committee has given its full backing of the project by unanimously passing a resolution authorizing the construction of a Federal Building-Courthouse in the Monterey area.

I believe that the construction of a Federal Building-Courthouse would be the most cost-effective response to the needs of the area. The federal construction option would be able to house all of the federal agencies in need of future space as well as the entire court system. I strongly urge the Subcommittee to consider this alternative as an answer to the needs of the California central coast.

AARP

STATEMENT

OF THE

AMERICAN ASSOCIATION OF RETIRED PERSONS

on

FY1991 TREASURY POSTAL SERVICE APPROPRIATIONS

SUBCOMMITTEE ON TREASURY, POSTAL SERVICE & GENERAL GOVERNMENT

COMMITTEE ON APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES

Washington, D.C.
April 5, 1990

American Association of Retired Persons 1909 K Street, N.W., Washington, D.C. 20049 (202) 872-4700
Louise D. Crooks *President* Horace B. Deets *Executive Director*

Mr. Chairman and Members of the Subcommittee, the American Association of Retired Persons appreciates the opportunity to submit testimony for your hearing record regarding FY1991 appropriations. Our statement will address funding for the Tax Counseling for the Elderly (TCE) program and appropriations for revenue foregone.

TAX COUNSELING FOR THE ELDERLY

The Association recommends that TCE be funded, at a minimum, at $3 million for fiscal year 1991. This is the same amount as the fiscal year 1990 appropriation and the Administration's fiscal year 1991 budget request. The value of TCE has been amply demonstrated over the years. It is a program which benefits both the Internal Revenue Service (IRS) and elderly taxpayers.

Benefits for IRS

TCE improves taxpayer compliance measurably for the IRS in numerous ways:

- TCE volunteers help to ensure that more tax returns are prepared completely and accurately.
- TCE counselors inform taxpayers about their obligations and assist them in fulfilling their responsibilities.
- Program personnel keep elderly taxpayers abreast of changes in the law which will affect them.

TCE and AARP's Tax-Aide program have provided other valuable assistance to the IRS. For example, the IRS is increasingly turning to Tax-Aide counselors to provide instruction for other TCE counselors to ensure that they are fully conversant with the tax law. In fact, most Tax-Aide counselors are now trained by Tax-Aide instructors, but all continue to be certified by IRS. This practice has produced better service for older taxpayers, and has enabled IRS personnel, who often are spread very thin, to perform other services on behalf the agency.

IRS has also called upon Tax-Aide and other TCE programs with increasing frequency to assist elderly taxpayers, largely because budgetary constraints have limited the agency's capacity to respond directly to public inquiries. Further, TCE has enabled IRS to serve more effectively hard-to-reach taxpayers, such as elderly minorities, the rural aged, and older persons residing in nursing homes or senior citizen housing. AARP's Tax-Aide program, in particular, has made a concerted and successful effort to reach these individuals.

Benefits to Older Taxpayers

TCE was created, in large part, because many older Americans encounter difficulty in preparing their tax returns. Form 1040 and its accompanying schedules can be overwhelming to some aged persons, and many simply do not understand the tax law. Moreover, when they retire or contemplate retirement, the entire tax landscape can change dramatically.

In short, a large number of elderly persons need assistance in preparing their returns, not only to ensure accuracy, but also to make certain that they claim all benefits to which they are entitled. Many also need help to assure that they comply fully with the new rules which may affect them. For example, much of the elderly's taxable income may not be subject to federal withholding. Consequently, older Americans frequently discover that they must file quarterly estimated payments to comply with the tax law. These computations can baffle even more sophisticated aged taxpayers, particularly when they have no prior experience in making estimated payments.

Other provisions in the Internal Revenue Code can pose formidable problems, especially for unsuspecting widows who may be preparing a tax return for the first time. One noteworthy example is the computation of the taxable portion of a contributory pension. This calculation requires the use of life expectancy and annuity tables, documents which most persons either do not have or do not know how to obtain. Even if the information is available, the calculation can be so complex that most older Americans would find it difficult to complete.

The elderly's struggle with the Internal Revenue Code is further complicated by the fact that the tax law has undergone major changes in recent years. Many of the aged are not aware of these measures, and generally have a hard time keeping current with all the changes in the tax law -- legislative, judicial, and administrative -- which may impact them. Examples of recent changes which older Americans do not fully understand include:

- The additional standard deduction for persons 65 or older who do not itemize their deductions;
- The gradual phasing out of the deduction of personal interest, such as, for credit cards or auto loans;
- The increase in the floor to 7.5 percent of adjusted gross income before taxpayers who itemize their deductions can claim medical and dental expenses; and
- New rules for deducting contributions to Individual Retirement Accounts.

Over the years, the IRS has repeatedly emphasized that no taxpayer should pay more tax than legally required. Unfortunately, large numbers of older Americans overpay their taxes, frequently because they are not fully aware of available legal benefits in the tax law which can reduce their tax liability. This problem is intensified by a tax form that may seem like a labyrinth set with linguistic booby traps. TCE, though, can inform older taxpayers about available tax benefits and make certain they claim all legal deductions.

In conclusion, TCE and Tax-Aide have benefited our nation, the IRS, and low or moderate-income older Americans who receive competent and complete service at no charge. TCE has been an extraordinarily effective program which has solid support from the communities that the program serves and the elderly clients who are assisted.

Much of TCE's success is directly related to the support provided by this Subcommittee. We wish to thank you again for this backing.

REVENUE FOREGONE

In addition, the Association urges the Subcommittee to approve a revenue foregone appropriation which would maintain postal rates for nonprofit mailers at the current step 16 levels. The revised estimate of funds needed for this purpose is $515.8 million, which takes into account the projected postal rate increase currently planned for early 1991.

Congress provided this subsidy in recognition that private, nonprofit organizations complement government activities at all levels -- federal, state and local. Indeed, the nonprofit sector often acts as a substitute when governmental units are unable to perform certain functions because of budgetary constraints. In many cases, educational, health, and other human services provided by nonprofit organizations enable recipients to live independently without any governmental assistance.

Many of these services would be sharply curtailed or eliminated if Congress did not provide adequate funding for the revenue foregone subsidy, and nonprofit mailers faced substantial increases in postal rates.

AARP strongly believes that it is sound and sensible policy to encourage private, nonprofit organizations to complement government activities and to fill in voids where service gaps exist. This rationale is even more compelling now because of recent federal spending cuts for social programs.

CONCLUSION

The Association appreciates the opportunity to present its views concerning these issues and urges the Subcommittee to recommend at least $3 million for TCE and a sufficient amount (currently estimated at $515.8 million) for the revenue foregone appropriation to maintain current postal rates for nonprofit mailers.

STATEMENT OF THE NATIONAL NEWSPAPER ASSOCIATION BEFORE THE SUBCOMMITTEE ON TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES HOUSE OF REPRESENTATIVES

April 2, 1990

National Newspaper Association
1627 K St. N.W., Suite 400
Washington, D.C. 20006
(202) 466-7200

Statement of the National Newspaper Association
April 2, 1990

The National Newspaper Association is a national trade association representing the interests of weekly and daily community publishers throughout the country. Founded in 1885, and with more than 5,000 member newspapers, NNA is the oldest and largest national trade association in the newspaper industry. Most of NNA's members deliver their newspapers through the mail at second-class rates, using the in-county rate for paid circulation newspapers and regular second-class rates for requester newspapers. Many use the Postal Service to deliver advertising products via third-class rates.

We are pleased to submit this statement for the record in Congress' annual appropriations hearings. There are two issues we wish to address: the revenue forgone appropriation and OMB's proposal for the Postal Service to take on additional benefit payments for benefits to former Postal Service employees.

I. THE REVENUE FORGONE APPROPRIATION

NNA strongly supports full funding for the revenue forgone appropriation for fiscal year 1991.

This March, the Postal Service asked for permission to increase postal rates. If the request is approved, second-class mail will suffer a stiff increase. To add to an already heavy burden by less than adequate funding of the revenue forgone appropriation would unfairly harm small community newspapers that have no way to increase their revenues to such an extent.

Only about five percent of the revenue forgone appropriation goes to small newspapers. It is used to fund the in-county rate, the rate used by community publications which circulate within the county of publication. This appropriation helps them to continue to provide services for their communities including the publication of notices of public hearings, legal notices, school schedules, announcements of the meetings of civic organizations, and information about local election issues.

Community newspapers have suffered greatly since the Postal Reorganization began in 1970. During this time, in-county postal rates have increased by more than 1600 percent. This not only affects the balance sheets of the publisher but hurts the cohesiveness of the community as well. Such increases make it difficult for community publishers to continue to provide the same quality of service to their communities as they have in the past.

Postal costs are a significant percentage of the operating costs of small newspapers. When these costs increase, local newspapers are often unable to raise their subscription rates to fully cover them. They have only two alternatives, to raise advertising rates or to reduce services. Local publications cannot greatly increase advertising rates without losing advertising because if advertising costs more than anticipated, businesses will simply purchase less. The other alternative is to cut back on service, generally by reducing coverage, publishing less often, or letting members of the editorial staff go. For the community, this means less information about local activities and fewer opportunities for local residents to voice their opinions about events in their communities.

For years now, publishers have been pleading for rate stability. Instead, postal costs have increased roughly eight times faster than inflation since 1970. Full funding for 1991 would be $484,592,000, a small price to pay to give a measure of stability to this country's community newspapers.

II. OMB PROPOSALS FOR USPS TO PAY FURTHER BENEFIT COSTS

NNA also opposes the legislative proposal put forth by the Office of Management and Budget which would require the Postal Service to take over further retirement costs and health benefits of Post Office employees. Regardless of the merits of the issue, because of the current postal crisis, the Postal Service simply cannot afford to absorb any new financial burdens.

Also, the Postal Service was removed from the unified federal budget last year. An agreement was made at that time about what benefit costs the Postal Service would pay. It is unfair to come back and ask the Postal Service for more money this year.

As Postmaster General Frank testified before this Subcommittee, the cost of these benefits would be paid by the ratepayers, who are already being asked to pay increased postal rates. The employees in question are people who spent the majority of their work years as Post Office Agency employees and are rightfully the responsibility of the federal government. Therefore, we respectfully ask this Subcommittee to reject the administration's proposal to require the Postal Service to shoulder these additional costs.

Thank you for allowing us to submit this statement.

"A National Association of International Scope"

National Customs Brokers & Forwarders Association of America, Inc.
One World Trade Center, Suite 1153/New York, NY 10048/(212) 432-0050

Arthur L. Litman
President
John Hammon, CAE
Executive Vice President

April 17, 1990

The Honorable Edward R. Roybal
Chairman
House Appropriations Subcommittee on
Treasury, Postal Service and General Government
H-164 Capitol Building
Washington, D.C. 20515

Dear Chairman Roybal,

The National Customs Brokers and Forwarders Association of America (NCBFAA) is pleased to submit our comments for the record of hearings held by your Subcommittee on appropriations for the Customs Service.

NCBFAA is, of course, the national organization for America's customs brokers and freight forwarders. Our members serve as coordinators, consolidators and expediters of international trade. As part of our responsibility, we interface directly with Customs as the importer's representative and agent in all matters. It is a unique relationship we share with Customs -- one of mutual dependency and mutual responsibility. And, it is a role we take very seriously, indeed.

As such, NCBFAA is very pleased with the new direction being taken at Customs by Commissioner Carol Hallett. The new commissioner is proving to be a dynamic leader for the agency, successfully redefining the agency's mission and redirecting the energies of its people.

At the same time, however, NCBFAA is very disturbed that the Administration once again is trying to cut the staffing levels for Customs commercial operations. We understand all about budget deficits and revenue shortfalls and we know Congress has a tough job in allocating scarce dollars. But we cannot comprehend reductions in an agency which actually produces revenues -- $19 is generated for every dollar dedicated to commercial operations. Nor can we fathom the justification for cutbacks in Customs commercial services when these services are actually being underwritten by the importing community through the *ad valorem* user fee. Customs commercial services are amply paid for by the public and no cuts of any kind are merited.

NCBFAA strongly believes that, far from cutting back in this area, additional resources must be devoted to Customs commercial operations. Customs simply must have adequate staffing for the Office of Regulations and Rulings so that the public can have timely access to Customs' interpretations and be in a position to comply with the law. Additional resources too must be given to the hiring and training of import specialists -- an essential component to facilitate compliance with the law and the expeditious movement of cargo. One suggestion that has surfaced within our association is to make an import specialist available at document analysis (DAU) sites. This would greatly expedite the frequent instances where import specialist review is required, but cannot be accomplished when Customs seeks to move in the opposite direction and decrease this valuable resource to the importing public.

In fact, the Administration is asking Congress to eliminate nearly 300 positions on the commercial side. Loyal Customs officials dutifully defend this OMB-dictated position, but their arguments ring hollow and we are not convinced. "Customs is working smarter" goes the party line, or "automation has enabled us to streamline our operations." While dedication and hard work can go a long way, it cannot make up for a shortage of trained experts to handle the massive volume of cargo crossing our borders each day. And although automation is a tremendous tool, permitting greater efficiencies, it will never eliminate the need for competent human beings who can guide importers through compliance and manage the machines that will expedite our transactions..

The fact remains that import specialist staffing has actually declined over the past 15 years, while during the same period formal entries tripled. And, adding to the burden, the role of Customs has become even more complex. The agency collects fees, taxes and duties in over 300 ports and numerous other locations every single day. At the same time, Customs has the job of enforcing and administering over 400 laws for 40 some agencies, as well as the responsibility for screening passengers, cargo and conveyances for illegal drugs.

To fulfill these demanding and often contradictory roles in today's global marketplace is a tremendous challenge -- one which cannot be shortchanged. We therefore urge this Subcommittee to ensure full and adequate funding for Customs commercial operations and restore the Administration's cuts.

Sincerely,

Arthur L. Litman
President

TESTIMONY
BY
DR. EVELYN E. HANDLER
PRESIDENT
BRANDEIS UNIVERSITY
TO THE
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.
APRIL 2, 1990

Mr. Chairman and members of the Subcommittee, my name is Evelyn E. Handler and I am President of Brandeis University. On behalf of the University, I appreciate the opportunity to provide to the Subcommittee this testimony for funding assistance in the amount of $15,000,000 over two years for the construction of the National Center for Complex Systems on the Brandeis University campus.

In May, 1989, the Federal government awarded Brandeis a grant for $3,000,000 to begin architectural and engineering studies. The project has now finished the conceptual design stage and it will be imperative that construction funds be committed to the project before November, 1990. Without the commitment of construction funds, Brandeis cannot enter into contractual agreements with a general contractor and its subcontractors and proceed with the construction phase of the facility.

Construction costs for the National Center are projected to be $26,500,000. Brandeis has raised and currently expended $2,000,000 on the construction of a new structural biology laboratory. It has also submitted a proposal to the NSF for $4,144,000 for the construction of a portion of the new National Center. The depth of Brandeis' continued commitment to the National Center is best demonstrated by the University's willingness to match the $4,144,000 of the NSF support. Brandeis is also committed to absorbing the continuing operating expenses of the new National Center facility.

The overall purpose of the National Center is to study large, complex systems through the use of a wide variety of methods, including experiments and observations, computational modeling, and the construction of theories. Examples of "complex systems" are large scale simulations, chemical reaction dynamics, and the biological development of cells. However, for the Brandeis faculty who fall broadly within the National Center mission, the complex systems of greatest interest are the **human brain and mind**. Interest in this area is shared by faculty members specializing in artificial intelligence, cognitive science, linguistics, neuroscience, experimental psychology, and artificial neural networks.

Brandeis University is located in Waltham, Massachusetts, and was founded as a private, non-sectarian university in 1948. The University currently has an undergraduate student population of 2900, a graduate school population of 700, and a full-time faculty of 374. Brandeis University is dedicated to both the dissemination of knowledge to its student body and the creation of new knowledge through its research laboratories.

The stated goals, or mission, of **The National Center For Complex Systems** are the following:

1. To advance our knowledge of cognitive processes, perception, and neuroscience in order to understand the functioning of the human mind and brain.

2. To transfer advances in the cognitive and neurosciences to improve the design of computer hardware and software in order to develop faster and more sophisticated computational systems.

3. To accelerate progress in the development of medicine and various technologies using advanced computational systems.

4. To develop powerful and novel computational methods that can be used to study a variety of complex systems, ranging from the functioning of the brain to novel emerging technologies.

5. To train a new generation of scientific researchers to lead advances in multi-disciplinary sciences of the future.

A key goal of the National Center is to establish the flow of ideas and results among the various National Center disciplines. To date, neuroscience and cognitive science have not benefitted very much from the existence of computers, unlike fields such as physics, where computational modeling occupies a prominent role. A major reason for this difference is that the brain and mind are a great deal more complex. The nervous system is highly non-uniform, and individual neurons and neural assemblies are very different and specialized. Until the advent of high-powered, especially massively parallel supercomputers, it has not been feasible to model such complex systems. However, it is now clear that computers capable of modeling non-trivial portions of the brain in detail are now available, and will become both more affordable and much more powerful over the next decade. The National Center hopes to be in the forefront in applying such supercomputers to the modeling of the brain (and other complex systems). In turn, it is believed that our studies in neuroscience, and cognitive and experimental psychology will provide useful knowledge that can be used by computer system designers in building much more intelligent, and possibly more brain-like, machines for the future.

One of the most striking areas where the work of the National Center is making an impact is the understanding of the fundamental mechanism of the chemistry of the brain. The National Center will have a significant role in the understanding of how various drugs work in the brain. Take for example the concept of addiction to drugs. The chemical balance in the brain is a delicate one between neural transmitters and neural receptors. (These are chemicals that control most activities.) When drugs are introduced into the system, the equilibrium chemical balance is destroyed and, in many cases, this change is irreversible, for example, with cocaine addiction. The brain does not work as it should, even though the chemical is no longer in the system. A group of neuroscientists, physicists, chemists, and computer scientists are exploring the transmitter/receptor equilibrium trying to understand what triggers a response. They are even building, out of transistors and resistors, neural networks that model actual living nerve systems. The National Center's first publication, "The Effect of Electrical Coupling on the Frequency of a Neural Oscillator" by T.B. Kepler, E. Marder and L.F. Abbott has been accepted by SCIENCE.

A second example involves the understanding of how to cure, repair or learn to reverse the handicaps caused by diseases of the brain or nervous system. Researchers in the National Center are conducting Alzheimer's research where the gene for the production of B-Amyloid (the protein that is believed to cause the disease) has been isolated in a model system. Another example in this area is when people suffer nervous system damage; most of the time it cannot be reversed. Members of the National Center are working on the regeneration of synapses and the growth of new nerve tissues. The cooperation of researchers of different fields including computer scientists and neuroscientists may make it possible someday to insert a neural circuit (a computer chip) that will form the bridge to allow an individual who suffers irreversible spinal cord injury and loss of the use of limbs to regain movement and control again.

A third example of where the National Center's research will affect important national issues is to understand how people learn. Researchers want to understand the fundamental mechanisms of learning. Learning means retaining information and, therefore, understanding memory. Members of the National Center are already working on the identification of molecules that impart memory and can be isolated. Biologists and cognitive scientists are also working together to understand the fundamental processes of changes through development. Working with the Boston VA Hospital, researchers are trying to understand aphasia, the inability to use and understand words. Researchers in Cognitive Science, Computer Science and Neuroscience are working together to understand how language is input, stored and outputted from the brain.

Brandeis University has a group of some of the most outstanding neural scientists including two Hughes investigators, a Markey scholar, three Jacob Javits and two NIH Merit Award winners. Acknowledgement of the quality of the research is borne out by the operational funding the National Center for Complex Systems has achieved during the last fiscal year. A total of $8,610,881 has been received in support for research associated with the National Center for Complex Systems for fiscal year 1989. In addition, we have just received approval of a single grant of $925,266 from the NIMH to support the interdisciplinary research of three individuals on "The Theory and Modelling of Oscillatory Neural Networks".

In the future, members of the National Center for Complex Systems will work to understand how memory functions and affects learning, development, aging and treatment of "diseases" of the mind. They will take our understanding of the brain and transfer it to the artificial world of computers and develop highly intelligent systems that can be used to open up and simplify our complex world. They will gain understanding in various social problems like drug addiction, environmental changes, how people age and how people learn.

In order to make this interdisciplinary National Science Center a reality, a major new facility is needed. Currently, there is no available space for the National Center on the Brandeis University campus. Including the research faculty of these programs in a single new facility will enhance interactions among groups that view similar problems from different fundamental disciplines, thus making the research more effective and productive.

Mr. Chairman and members of the Subcommittee, we respectfully request your support for these novel research efforts by providing funding in the amount of $15,000,000 over two years for the construction of the National Center for Complex Systems on the Brandeis University campus.

Finally, we thank you for your consideration of our proposal.

CENTER FOR COMPLEX SYSTEMS

OPERATIONS FUNDING

July 1, 1988 - June 30, 1989

REVISED

SPONSORED PROGRAMS
July 1, 1988 - June 30, 1989

Page 1

PROJECT DIRECTOR	TITLE	AGENCY	DIRECT COSTS	INDIRECT COSTS
Biochemistry				
Levitan, Irwin*	Regulation of Ion Channels in Nerve Cells	NIH/NINDS	127,666	68,542
Levitan, Irwin	Regulation of Synaptic Specificity	NIH/NINDS	92,203	49,062
Levitan, Irwin Miller, Christopher	Chloride Channel Modulation in Normal and CF Tissue	CFF	56,520	6,348
Miller, Christopher	Merck Departmental Program Grant	Merck	15,000	0
Miller, Christopher	Liposome - Patch Recording of Reconstituted Ion Channels	NIH/NIGMS	84,744	49,702
Miller, Christopher	DuPont Science & Engineering Grant	DuPont	6,000	0
Miller, Christopher	A Voltage-Gated K+ Channel of Sarcoplasmic Reticulum	NIH/NIAMSD	108,231	63,607
Miller, Christopher	Howard Hughes Medical Investigator	HHMI	- 500,000	0
Oprian, Daniel	Structure-Function Studies of Rhodopsin	NIH/NEI	125,330	34,599
Biology				
Hall, Jeffrey	Neurogenetics of Drosophila Reproduction	NIH/NIGMS	140,022	82,074
Lisman, John*	Mechanism of Long-Term Potentiation	NIH/NINDS	89,702	33,152

* Javits Award
** Merit Award
*** Training Grant

SPONSORED PROGRAMS
July 1, 1988 - June 30, 1989

Page 2

PROJECT DIRECTOR	TITLE	AGENCY	DIRECT COSTS	INDIRECT COSTS
Lisman, John**	Mechanisms of Adaptation & Excitation	NIH/NEI	164,241	94,646
Marder, Eve*	Neurostransmitter Modulation of Neuronal Circuits	NIH/NINDS	109,622	69,499
Marder, Eve***	Neurobiology: Genes Channels and Behavior	NIH/NINDS	88,506	6,396
Marder, Eve	URI Center for Rhythmic Studies	Northeastern University	37,771	15,463
Restifo, Linda	Genetic & Hormonal Control of Neural Reorganization	NIH/NINDS	55,615	4,449
Rosbash, Michael	Organization of Yeast Ribosomal Protein Genes	NIH/NIGMS	218,160	113,203
Rosbash, Michael	Howard Hughes Medical Investigator	HHMI	~500,000	0
Rosbash, Michael Hall, Jeffrey White, Kalpana Tully, Timothy	Molecular Genetics Drosophila Development & Behavior	NIH/NIGMS	543,714	303,469
Tully, Timothy	McKnight Scholars	McKnight	35,000	0
Tully, Timothy	Neural Substrates of Learning and Memory	NIH/NINDS	51,700	33,020
White, Kalpana	Molecular Genetics of Biogenic Amine Neurons	NIH/NINDS	94,498	53,058
Chemistry				
Epstein, Irving	A Stochastic Approach to Inhomogeneous Dynamical Phenomena	ACS/PRF	4,500	

* Javits Award
** Merit Award
*** Training Grant

SPONSORED PROGRAMS
July 1, 1988 - June 30, 1989

Page 3

PROJECT DIRECTOR	TITLE	AGENCY	DIRECT COSTS	INDIRECT COSTS
Epstein, Irving Kustin, Kenneth	Oscillating Chemical Reactions	NSF	130,237	77,511
Epstein, Irving	Research Experiences for Undergraduates in Chemistry at Brandeis University	NSF	30,223	4,777
Computer Science				
Cohen, Jacques	A Parallel Computation Laboratory	NSF	71,920	0
Cohen, Jacques	Software Tools for the Analysis of Programs	NSF	56,627	27,739
Cohn, Martin	Simulation and Compression Hardware Support	Unisys	5,000	0
Waltz, David Alterman, Richard	DARPA Case-Based Reasoning for Tactical Planning	Cognitive	121,852	71,893
Physics				
Meyer, Robert	Digital Image Processing System	NSF	11,505	0
Meyer, Robert	Studies of Liquid Crystals	NSF	70,618	41,382
Provost and Dean of the Faculty				
Reis, Art	Designing and Construction of an Energy and Natural Resources Technology Development Center	DOE	3,000,000	0

* Javits Award
** Merit Award
*** Training Grant

SPONSORED PROGRAMS
July 1, 1988 - June 30, 1989

PROJECT DIRECTOR	TITLE	AGENCY	DIRECT COSTS	INDIRECT COSTS
Psychology				
Grimshaw, Jane	Lexical Representation of Non-Local Selectional Dependencies	New York University	11,637	6,819
Jackendoff, Ray Grimshaw, Jane	Conceptual Structure and Argument Structure in a Natural Language Lexicon	NSF	55,494	27,417
Lackner, James	Development of Preventative Countermeasures to Space Adaptation Syndrome	NASA	217,553	108,147
Lackner, James Johnson, Walter	Vestibular Response to Altered Gravitational Field: Otoleth Loading and Unloading as Measured by Resultant Ocular Torsion	NASA	27,642	9,108
Wingfield, Arthur***	Age & Decision Strategies in Running Memory for Speech	NIH/NIA	60,751	35,995
	TOTALS:		7,119,804	1,491,077

* Javits Award
** Merit Award
*** Training Grant

Center for
Complex Systems

Brandeis University

CCS Report

Cognitive Science Neuroscience Computer Science

Brandeis University is pleased to announce the beginning of a new program on campus:
The Center For Complex Systems: Cognitive, Neural, and Computational Sciences.
The Center was officially established this summer, and has two central challenges during its early years: 1) the establishment of an interdisciplinary scientific program, involving the development of new courses and lecture series, and the identification of research priorities; and 2) the design and construction of a new building to house The Center, one which will facilitate interaction between researchers of the various disciplines involved. Current projections are that this will be approximately a 4 year construction project.

THE CENTER FOR COMPLEX SYSTEMS

The overall purpose of the Center is to study large, complex systems through the use of a wide variety of methods, including experiments and observations, computational modeling, and the construction of theories. Examples of "complex systems" are global weather simulations, chemical reaction dynamics, and the development of cells. However, for Brandeis faculty who fall broadly within the Center mission, the complex systems of greatest interest are the human brain and mind. Interest in this area is shared by faculty members specialising in artificial intelligence, cognitive science, linguistics, neuroscience, experimental psychology, and artificial neural networks, among others.

The stated goals, or mission, of The Center For Complex Systems are the following:

1. To advance our understanding of cognitive processes, perception, neuroscience, and the development and application of parallel computer systems.
2. To transfer advances in the cognitive and neurosciences to improve the design of computer hardware and software in order to develop faster and more sophisticated computational systems.
3. To accelerate progress in the development of various technologies using advanced computational systems. (continued on page 2)

Volume 1, No. 1 • Fall 1989

4. To develop powerful and novel computational models that can be used to study a variety of complex systems, ranging from the functioning of the brain to novel emerging technologies.
5. To train a new generation of scientific researchers to lead advances in multidisciplinary sciences of the future.

A key goal of the Center is to establish the flow of ideas and results among the various Center disciplines. To date, neuroscience and cognitive science have not benefitted very much from the existence of computers, unlike fields such as physics, where computational modeling occupies a prominent role. A major reason for this difference is that the brain and mind are a great deal more complex. The nervous system is highly non-uniform, and individual neurons and neural assemblies are very different and specialised. Until the advent of high-powered, especially massively parallel, supercomputers, it has not been feasible to model such complex systems. However, it is now clear that computers capable of modeling non-trivial portions of the brain in detail are now available, and will become both more affordable and much more powerful over the next decade. The Center hopes to be in the forefront in applying such supercomputers to the modeling of the brain (and other complex systems). In turn, it is believed that our studies in neuroscience, and cognitive and experimental psychology will provide useful knowledge that can be used by computer system designers in building much more intelligent, and possibly more brain-like, machines for the future.

One example of the kind of cooperation which is envisioned is in the currently ongoing study of the lexicon of natural languages. Profs. Jane Grimshaw of Linguistics/Cognitive Science, James Pustejovsky of Computer Science, Edgar Zurif of Linguistics/Cognitive Science, and other faculty from their respective departments, have been actively collaborating on the study of the lexicon. The interdisciplinary focus of the study can be summarised as follows: Grimshaw analyses the vocabulary and structure of particular languages; Zurif studies the effects of aphasias on linguistic abilities; and Pustejovsky builds programs that mimic hypothesised human brain organisation and human linguistic processing. Each faculty member contributes his or her unique expertise to the effort, and the whole is greater than the sum of its parts.

The bricks and mortar of the new Center will be important to Brandeis, providing badly needed office and lab space as well as new large-scale computational equipment, and encouraging frequent contact and cooperation between Center faculty and students. However, a major purpose of the Center is to foster new interdisciplinary science. Even though the new building is still several years away, some scientific cooperation is already well established, as in the lexicon study, and several new initiatives are underway.

DR. IRWIN LEVITAN ACCEPTS POSITION AS CENTER DIRECTOR

Dr. Irwin Levitan, Professor of Biochemistry at Brandeis University, has accepted the position as Director of The Center For Complex Systems. Prof. Levitan is originally from Canada, and has now worked in four different countries. He arrived at Brandeis University in 1982, coming from the Friedrich Miescher Institute in Basel, Switzerland, where he was a group leader for eight years. His research interests center around regulations of the activity of individual nerve cells and the synaptic connections between them. Dr. Levitan has played a substantial role in the planning of the Center, since its earliest stages. Speaking about the project, Dr. Levitan outlines his view:

"The Center will provide an unparallelled opportunity to develop novel approaches to research and education in the cognitive, neural, and computational sciences. I look forward to the opportunity to lead the Center, particularly during this initial phase of development. We are fortunate at Brandeis in having a nucleus of outstanding investigators in the various research areas to be represented in the Center, and I am excited by the opportunity for synergistic interactions among them which the Center will foster."

CENTER SCIENTIFIC RESEARCH RETREAT A SUCCESS

A research retreat was held on the Brandeis campus on May 25th, 1989, for Brandeis faculty and staff. Over 100 people attended. A Poster session was held, displaying current research ongoing at Brandeis. Lectures were given covering some areas of research which are likely to be represented in CCS, pointing out the overlap between these areas and the other disciplines involved in CCS.

The lectures given were:

1. "A Computational Model for Word Meaning in Natural Language"; James Pustejovsky, Assistant Professor of Computer Science;
2. "Language and Brain"; Edgar Zurif, Professor of Cognitive Science;
3. "Channels in the Visual Nervous System for Detecting Motion in Depth"; Lynn Halpern, Assistant Professor of Physiological Psychology;
4. "Oscillatory Behavior in Time and Space"; Irving R. Epstein, Professor of Chemistry;
5. "Mathematical Modelling of Neural Networks"; Laurence F. Abbott, Professor of Physics; and
6. "How a Biological Neural Network Generates Behavior"; Eve E. Marder, Associate Professor of Biology.

LECTURE SERIES

The Center hosted three distinguished lecturers during the 88-89 academic year. They were:

- Dr. David Tank from Bell Laboratories, who spoke about lessons to be learned from computer models of neural circuits;
- Prof. Paul Adams from the State University of New York at Stony Brook, who discussed the role of calcium in the integration of signals and intracellular computation in nerve cells; and
- Prof. Paul Smolensky from the University of Colorado at Boulder, who described models of the structure and representation of knowledge in neural networks.

The lecture series will be continued and expanded in the coming academic year, with plans for three lectures each semester. The lectures will have an interdisciplinary focus, spanning the breadth of interests of the various groups within The Center.

INITIAL GRANT RECEIVED FROM THE DEPARTMENT OF ENERGY

An initial grant of $3 million has been awarded to Brandeis from the U.S. Department of Energy. The initial grant will cover expenses for the design and development of the facility to house The Center for Complex Systems. DOE has a Basic Energy Sciences program, which supports both basic and applied research for the development of new technologies, improvements to existing technologies that are important to our National Energy Goals, and training of our future scientists to help attain these goals. This grant was awarded with extensive support from both Senators John F. Kerry (D.,MA) and Edward M. Kennedy (D.,MA), and Representative Silvio O. Conte (R.,MA).

FACILITY PLANNING BEGINS

Planning for the new CCS facility has begun. The project is now in the 'conceptual' design phase, during which the overall size, shape, and location of the building are defined, as well as the interior space allocations and adjacencies of the different components. There will be seven program components within the construction project: neuroscience, computer science, cognitive science and linguistics, experimental and perceptual psychology, expansion of the science library, classroom and lecture space, and physics laboratories.

As the design process continues, the plans become more detailed until finally the construction drawings are developed, which are the actual blueprints used in constructing the building. The total design process is expected to last 16 months. Construction of the building should then take an additional 2 years.

The most likely site for the building is in the area bordered by the existing Feldberg, Gerstensang, and Goldsmith buildings, connecting to the Science complex.

CENTER OFFICE ESTABLISHED

An office for CCS has been established on campus in Ford Hall, room 26. Ms. Barbara Wrightson is the Program Project Coordinator for the Center. Any questions or informational requests regarding CCS are welcome! The phone number is (617) 736-4870.

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Congress of the United States
House of Representatives
JIM SLATTERY
SECOND DISTRICT, KANSAS

May 17, 1990

The Honorable Edward R. Roybal
Chairman
House Appropriations Subcommittee
on Treasury, Postal Service, & General Government
H-164 Capitol Building
Washington, D.C., 20515

Dear Ed:

I am writing to request your consideration and assistance in funding a critically important research center at the University of Kansas.

The Bioscience Research Center at the University of Kansas is an interdisciplinary research center that currently houses the Center for Bioanalytical Research (CBAR), the Center for Biomedical Research, and the Center for Drug Delivery Research. Soon to be established as a part of this complex are a Center for Drug Design Research, a Metabolism and Toxicity Center, a Center for Molecular Engineering and Immunology and a Center for Neuroscience Research. All these units involve scientists from several disciplines and departments enabling the University of Kansas to address weighty problems in molecular biology and biotechnology.

The Bioscience Research Center is also involved in fostering technology transfer to the private sector so as to enhance not only local and regional economic development but to foster the competitive position of the United States in the development of pharmaceutical and biomedical products. These activities are relevant to the development of products to treat cancer, hypertension, alcoholism, and a number of other diseases and disorders.

The Bioscience Research Center currently is inadequately housed and the need for a new facility is critical not only to the work of the Center but to the efforts of the University to be responsive to this nation's need to remain economically competitive in the fast moving developments in the biomedical and pharmaceutical sciences.

In order to properly accomodate the activities now associated with the Center for Biosciences through the remainder of this century, the University proposes constructing a building of 60,000 gross square feet at a cost of $120 per square foot for a total cost of $7.2 million. I would like to request an appropriation of $2.5 million in order to contribute toward the total cost of this necessary and worthy project.

The scientific work being performed at the University of Kansas Biosciences Research Center is on the cutting edge of research and technology development and contributes to America's international leadership in this important medical field. If there is one area of Federal budget we have historically neglected, it is the area of scientific research and development. If we expect to be competitive in the year 2000 we will have to do far more in this area.

The Bioscience Center is a world leader in the areas of diagnosis and treatment of drug abuse, alcoholism, neurological diseases, mental illness, and the development of new approaches to life-threatening infections. Cancer research at the University of Kansas has resulted in significant improvements in finding treatments for cancer. Important work is also being carried out to develop drugs which can prevent cancer.

I think you will agree that this type of research is essential, but without more and better laboratory space, the University of Kansas cannot be expected to continue the rapid progress it has already made in these areas. The establishment of a comprehensive biosciences research center at the University of Kansas would be of great benefit, not just to the people of this nation, but to the global population increasingly affected by these problems.

I have attached a copy of the University of Kansas' Biosciences Research Center building proposal which contains further background. I hope that you will review it and feel free to contact me if you have and questions. Again, anything you can do to provide the $2.5 million necessary to help the University meet its goal would be greatly appreciated.

Thank you for your kind consideration of my request.

Sincerely,

Jim Slattery

JIM SLATTERY
Member of Congress

Staff Contact:
Janet Murguia
Washington Office

BIOSCIENCES RESEARCH CENTER
BUILDING PROPOSAL

The University of Kansas proposes to seek federal funding for a Biosciences Research Center building. The University has developed significant multidisciplinary research strength in the biosciences. Increasingly, certain aspects of this research have shown potential for translation into sophisticated commercial applications.

Several of the major components of the University's bioscience research activities are now separated in various locations on the main and west campus. A new facility adjacent to current research space is needed to accommodate special research requirements, create a synergism among the research disciplines by allowing some reconfiguration of space allocation, and perhaps most important, accommodate future growth and pre-commercial activity.

The construction of a Biosciences Research Center facility will strengthen one of the recognized concentrations of the University's research and serve as a catalyst for attracting high technology industry activity to the State of Kansas.

The University of Kansas created the Biosciences Research Center to facilitate the administration of an expansion of the "Centers of Excellence" program which is supported by the State of Kansas through the Kansas Technology and Economic Corporation (KTEC), to coordinate the existing Centers in Biomedical Research (CBMR) and Bioanalytical Research (CBAR), to accommodate the Center for Drug Delivery Research and to provide for future research centers.

Center for Biomedical Research (CBMR)

This Center's formation in 1980 represented a recognition by the University of the success of strong collaborative, multidisciplinary research programs in the area of biomedical research. Since the establishment of the Center, large program projects have been funded by the National Institutes of Health, the Army Research Office, and the Army Medical Research Command. These include programs focused on the design of new drugs for hypertension, on measurement of changes in brain chemicals during normal physiologic states and in diseases such as schizophrenia, on defining the brain changes in alcoholics and how alcohol withdrawal seizures can be treated, and on developing sensors for toxic materials through isolating the proteins that are targets for these materials. Important work also occurs in relation to drug design and delivery in the treatment of cancer and other diseases and disorders. Since 1980, the multidisciplinary research conducted by CBMR scientists has attracted national and international attention, including for example, the prestigious Jacob Javits award from the National Institute of Neurological and Communicative Disorders and Stroke for research by Center staff on chemical changes in the brain of schizophrenic individuals.

The Center for Bioanalytical Research (CBAR)

This Center was established by the University in 1983 in response to the state initiative for "Centers of Excellence." It conducts research for the development of ultrasensitive and selective methods for the analysis of biological and chemical substances which impact on a wide range of industrial and government interests. The Center's main thrust has been directed toward the development of methods that will enable the detection of extremely minute quantities of important biological and chemical substances. The importance of such methods is that they will permit the manufacture of smaller and smaller quantities of critical drugs and other items that can be delivered and monitored for their effectiveness with maximum efficiency. The level of minuteness involves measurement in units of quantities of picograms (10 to the minus 12 grams) to femtograms (10 to the minus 15 grams). To illustrate the extreme minuteness of femtograms and the level of sensitivity needed to detect these quantities at femtogram levels it is estimated that a level teaspoon of sugar would, measured in femtograms, be equal to dividing the teaspoon of sugar into portions so small that every living person on earth would receive a portion equal to one million femtograms.

The development and refinement of this technology for measuring minute quantities has extreme significance for the design of better therapeutic agents and for better methods to detect highly toxic but extremely small quantities of dangerous substances. By being able to develop and monitor therapies that are effective at very minute quantities, the therapeutic agents will be able to be delivered at lower dosages and reduce unwanted side effects. Ultimately, this will enable U.S. companies to compete more effectively in the global economy and by their successes to benefit both the American economy and the health and welfare of people.

Much of CBAR's current and expected research and development can be translated into technology for commercialization. Since its formation this Center's main industrial sponsor has been Oread Laboratories, Incorporated, a high tech firm providing special analytical service to industrial clients. The corporation is located in the Oread West-University Research Park. In addition, the analytical Center has other industrial relationships and the potential to develop others.

The Center for Drug Delivery Research

Since the late 1960's, the University of Kansas has had an international reputation as a major producer of graduate students oriented toward product development needs in the pharmaceutical industry. The Department of Pharmaceutical Chemistry was instrumental in attracting the Alza Institute of Pharmaceutical Chemistry to the Lawrence community in 1968, the Interx Research Corporation in 1972, and the Merck-Interx Research Corporation in 1980. In 1988, the Department founded the Center for Drug Delivery for the purpose of forming a technology-transfer link with the pharmaceutical industry. As with the Center for Bioanalytical Research, the main link to industry will be through a partner relationship with Oread Laboratories.

Biotechnology drug products are, in the main, peptides and proteins and they present a formidable set of problems in delivery across the several natural barriers of the body and in transport to the target organs and receptor sites. The faculty in the Department of Pharmaceutical Chemistry, in collaboration with several other bioscience departments, is uniquely qualified to attack these problems that are generic to the entire biotechnology industry. Of particular interest is drug delivery research related to the treatment of cancer.

Finally, planning is underway to develop three more Centers that will operate with core faculty already in place within the University. They are: a Center for Drug Design, Metabolism and Toxicity; a Center for Molecular Engineering and Immunology; and a Center for Neuroscience Research. All Centers will be in place by fiscal year 1992.

Specifications

To properly accommodate the activities now associated with the Center for Biosciences through the remainder of this century, we propose a building of 60,000 gross square feet at a cost of $120 per sq. ft. for a total cost of $7,200,000. The facility should yield approximately 45,000 net assignable square feet of modern chemical and biological research space with specialized areas for ultra clean and temperature-regulated operations.

The University seeks an appropriation of $2.5 million.

GERRY E STUDDS
10th District, Massachusetts

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537 [illegible]
[illegible] DC 20515
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FOREIGN AFFAIRS
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May 11, 1990

The Honorable Edward Roybal, Chairman
Treasury/Postal/GSA Appropriations Subcommittee
H-164 Capitol
Washington, D.C. 20410

Dear Mr. Chairman:

I am writing to ask you to include funding in the FY91 Treasury/Postal/GSA appropriations bill for the continued development of the Marine Biomedical Institute for Advanced Studies (MBIAS) at the Marine Biological Laboratory in Woods Hole, Massachusetts. This project was authorized in P.L. 100-629.

The MBIAS project involves the construction of a 40,000 sq.ft. advanced studies laboratory and a replacement facility for the deteriorated marine resources center. The center is used for the collection and distribution of over 100,000 marine organisms each year to the National Institutes of Health and researchers at universities around the country.

You may recall that $2.2. million was included in the FY89 Treasury bill for design and engineering on this project and $2 million in last year's bill under the GSA, Federal Building Fund for construction-related activities. I appreciate your willingness to include this funding in these two bills.

I am pleased to report that the design and pre-construction activities have gone smoothly and the project will be ready to move to construction in August. I am therefore requesting that an additional $6 million be included in your bill to begin construction.

The Marine Biological Laboratory was founded a century ago by scientists as a research and training station in biology. Today, as in 1888, it remains a private, non-profit corporation, "owned" by some 700 scientists from around the country and the world, devoted to education and research into the biochemical mechanisms underlying disease processes.

Page Two

Over the years, 34 Nobel Laureates have been affiliated with the MBL as researchers, instructors and corporation members and more than 80 scientists associated with the MBL have been elected to the National Academy of Sciences. The construction of these new research facilities is critical to MBL's ability to continue to train new generations of biomedical researchers and to continue providing a reliable supply of healthy marine organisms to scientists at NIH and around the country.

I would very much appreciate your assistance in this matter. If you have any questions, please do not hesitate to contact me.

With kind regards.

Sincerely,

Gerry E. Studds

cc: The Honorable Joseph Early
The Honorable Silvio Conte

CARL D. PURSELL
2D DISTRICT OF MICHIGAN

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May 15, 1990

The Honorable Edward R. Roybal
Chairman
Appropriations Subcommittee on Treasury,
Postal Service and General Government
H 164 Capitol
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing in support of a request submitted to your subcommittee by Michigan Technological University to fund its Center for Applied Metallurgical, Minerals and Materials Research. Michigan Tech has requested $6.8 million in FY 91 funding. Michigan Tech President Dale Stein testified before the Subcommittee earlier this year in this regard.

Last year, the Subcommittee was able to provide $5 million for this project, and I was very appreciative of your support. The $6.8 million request is the balance of the $11.8 million initially requested for federal funding. The remainder of the $47.7 million project will be funded by the State of Michigan and the University and its corporate partners.

Michigan Tech is presently negotiating with the General Services Administration to make the $5 million in FY 90 funds available. The Center will provide research for GSA in materials research and development for GSA's building needs. This is crucial at a time when GSA and OMB have identified the need for additional facilities.

Thank you for your consideration of this request.

Sincerely,

Carl Pursell

Carl D. Pursell
Appropriations Committee

CDP:tkz
cc:Honorable Silvio Conte
Honorable Joe Skeen

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